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Deposition Of:

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CHICAGO INFRASTRUCTURE TRUST

BOARD MEETING

CITY OF CHICAGO

BOARD MEMBERS:

MR. JAMES BELL, Chairman
ALDERMAN JOHN POPE
MR. DAVID HOFFMAN
MS. DIANA FERGUSON
MR. JORGE RAMIREZ

ADVISORY BOARD MEMBERS:

ALDERMAN LATASHA THOMAS
MR. DAMON SILVERS
MR. TOM VILLANOVA
MS. MARY SUE BARRETT
MR. DAVID DOHNALEK

CHIEF EXECUTIVE OFFICER:

MR. STEPHEN BEITLER

DIRECTOR, ENERGY PROGRAM

MS. CLAIRE TRAMM

July 17, 2014
10:00 o'clock a.m.

1 CHAIRMAN BELL: I'd like to call the
2 meeting to order. I thank everyone for taking
3 the time out to participate in this I think
4 important project and program with us, but we've
5 got a lot to cover today so I'd like to get
6 started right away, Steve, so why don't we just
7 jump right in?

8 MR. BEITLER: Yes, sir.

9 CHAIRMAN BELL: Go ahead.

10 MR. BEITLER: Mr. Chairman, the first
11 order of business is the approval of the
12 June 12th minutes.

13 CHAIRMAN BELL: Are there any comments,
14 questions, revisions to the minutes?

15 (No response.)

16 Could I have a motion?

17 MS. FERGUSON: So moved.

18 ALDERMAN POPE: Seconded.

19 CHAIRMAN BELL: Okay. Passed.

20 MR. BEITLER: Thank you.

21 Next I'll turn it over to Vivian
22 Funches to introduce the audit team.

23 CHAIRMAN BELL: Good morning, Vivian.

24 MS. FUNCHES: Good morning. I would

1 like to introduce the auditing team that we have
2 for the Trust 12/31/2013 audit. The partner is
3 Jeff Dowd with CohnResnick who will then
4 introduce the rest of his name.

5 MR. DOWD: Good morning, everyone. My
6 name is Jeff Dowd. I'm the audit engagement
7 partner for the Chicago Infrastructure Trust
8 with the accounting firm of CohnReznick.
9 CohnReznick is a national accounting firm, one
10 of the largest firms in the nation.

11 As far as this audit goes, the audit
12 here as presented, we'll go a little bit into
13 the results here, but the highlights are that
14 we're issuing an unqualified opinion so we have
15 no modifications to report.

16 The financial statement is that the
17 Trust is in its early stages here so there's
18 really not much to report on. We have a small
19 amount of cash and payables we'll go through
20 real quick.

21 This is my audit team, Ervin Rabor
22 and Kate Ernst, so they'll go through the
23 presentation real quick.

24 MR. RABOR: So we're going to start off

1 with just a rundown of what we're going to talk
2 about. We'll go through the status 2014, our
3 letter, our communications which is our required
4 documentation that we have to provide you under
5 our responsibilities under the Generally
6 Accepted Accounting Standards, and there's
7 certain information related to planned scope and
8 timing of our audit.

9 Then we'll talk about the numbers
10 and we'll go into the statement of financial
11 position as well.

12 So our qualitative aspects of the
13 accounting practices, we noted no transactions
14 entered into by CIT during the year for which
15 there's a lack of authoritative guidance or
16 consensus. All significant transactions have
17 been recognized in the financial statements in
18 the proper period.

19 As for management judgment and
20 estimates, we evaluated the key factors and
21 assumptions used to develop these estimates in
22 determining that they are reasonable in
23 relation to the financial statements taken as a
24 whole.

1 We encountered no significant
2 difficulties in dealing with management in
3 performing and completing our audit, as well as
4 we are pleased to report that there were no
5 disagreements during the course of our audit as
6 well.

7 Any corrected and uncorrected
8 misstatements, none of the audit corrected
9 misstatements detected as a result of the audit
10 procedures were material, either individually or
11 in the aggregate, to the financial statements
12 taken as a whole. Management has passed on
13 these adjustments which are listed in the packet
14 provided.

15 For any other audit findings or
16 issues, there were no matters of significant
17 discussion that affected our retention as CIT's
18 auditors.

19 So as Jeff said, there isn't really
20 much activity in 2013. Our audit period
21 consisted of April 24, 2012 through
22 December 31st, 2013. That primarily consisted
23 of mostly startup costs as well as
24 organizational costs, meetings and such forth.

1 If we take a look at the statement
2 of financial positions, you know, everything is
3 pretty straight forward. You know, grants
4 receivable, obviously the Trust's main source of
5 revenue is the City of Chicago grant. From
6 there they have to go through a whole entire
7 process to submit these voucher packages in
8 order to pay the vendors and such forth.

9 So this is a statement of
10 activities. The revenue, the grant revenue
11 again is based off of the City of Chicago grant,
12 100 percent of the, you know, activity in 2013,
13 and, you know, this is just a listing of the
14 expenses and total activity as well.

15 If you guys have any questions, you
16 know, I'll be, you know, happy to answer, but
17 again we're in the startup phase. We're looking
18 forward to 2014. There will be a lot more
19 activity. It's open for discussion if anyone
20 has any questions.

21 CHAIRMAN BELL: Thank you. Any
22 questions for the independent audit team?

23 (No response.)

24 Thank you.

1 MR. DOWD: I just have a couple of
2 things to add. As far as audits go, this is
3 probably one of the simplest audits that you can
4 get to, and obviously you're in a very early
5 startup phase here so there's not much in the
6 way of activity.

7 There is one thing that I'd like to
8 point out as you look into the future.

9 Recently, about a month ago, the Financial
10 Accounting Standard Board has decided to merge
11 the standards with the International Accounting
12 Standards, and the significance here is that it
13 comes to revenue recognition.

14 As the Trust moves forward and it
15 starts doing projects that happen to have -- the
16 big issue becomes revenue recognition and how we
17 should recognize that revenue. Under the old
18 standards in GAAP, it's a very prescriptive
19 method that you have a set of rules that you
20 follow. You don't recognize revenue until
21 certain things happened.

22 Under the Industrial Accounting
23 Standards, it's more liberal, and you follow
24 things that are, you know, how you think that

1 they should be recognized. So it's very much
2 subjective in how you do things.

3 The standard doesn't -- you can take
4 early adoption in 2016 and mandatory adoption in
5 2017, so there would be some time before this
6 happens, but it is a pretty major overhaul in
7 how revenue will get recognized in looking in
8 the future.

9 So that's about the only thing I
10 see going forward that would have any impact on
11 the Trust, nothing now but as a role in the
12 future.

13 So any other questions, comments or
14 concerns?

15 CHAIRMAN BELL: Thank you.

16 MR. DOWD: Thank you.

17 CHAIRMAN BELL: You did a good job.

18 MS. FUNCHES: Now we would like for the
19 Board to approve the audit as it's been
20 reported.

21 ALDERMAN POPE: Move do pass.

22 MS. FERGUSON: Move approval.

23 CHAIRMAN BELL: Second.

24 (A chorus of ayes.)

1 CHAIRMAN BELL: Good.

2 MS. FUNCHES: We'd like to thank you
3 guys, CohnReznick, for your presentation.

4 Moving forward to --

5 (WHEREUPON, discussion was had
6 off the record.)

7 MR. BEITLER: We got it.

8 MS. FUNCHES: Page 17, we're on the
9 statement of financial position for the first
10 half of 2014. We have total assets of \$314,586.
11 We took 200,594 in cash and then we have a
12 license, software implementation of 65,000.
13 Those are the large items that affect assets.

14 Our total liabilities, which are all
15 current, is 264,586 with 137,000 being the
16 largest in accounts payable which is the vendor
17 we owe for the software license. And then our
18 total equity which is 50,000 which represents
19 our fees for Retrofit 1. The total liabilities
20 and equity is at 314,586.

21 Page 18 is a budget overview. The
22 auditors presented the first year of 2013 so
23 I'll bypass that, but the first half of 2014
24 we're budgeted at 688,000, and our actual came

1 in at half of the budget at 345,000 with the
2 respective percentages 94,000 for payroll
3 expenses, 7,000 for finance and audit, 181,000
4 for special feels, insurance 38, and all other
5 is 26,000.

6 CHAIRMAN BELL: Just a question here.
7 Did we manage to what the City funded or did we
8 manage to what we were trying to get done or did
9 they happen to coincide?

10 MR. BEITLER: Actually, sir, not really
11 either because in a way we managed the cash
12 flow, so we're spending less than we should be
13 spending, but it was a function at this point of
14 cash in and cash out.

15 CHAIRMAN BELL: When you saying we're
16 spending less than we should be spending --

17 MR. BEITLER: We should be spending
18 more money on salaries and have more staff, but
19 we didn't have regular cash flows to facilitate
20 that, so we'll transition over time to a
21 full-time work force as opposed to a part-time
22 work force.

23 CHAIRMAN BELL: So in terms of work
24 accomplished, is it pretty much where you think

1 we ought to be half way through the year or are
2 we delaying things we ought to be doing?

3 MR. BEITLER: We're probably delaying
4 some things we ought to be doing, but I'd say we
5 have accomplished an extraordinary amount of
6 work, and I know that everybody works very hard,
7 so I think we've accomplished an extraordinary
8 amount of work. We probably could have
9 accomplished it in a more easy manner had we had
10 regular cash flows.

11 MS. FUNCHES: The last column shows our
12 forecast throughout the rest of the year. The
13 total annual budget is 1.4 million, and we're
14 looking to come in at 68 to 70 percent of that
15 budget, with 30 percent being salaries,
16 44 percent being professional fees and
17 12 percent being insurance. Those are the large
18 costs that we're anticipating during the rest of
19 the year.

20 MS. FERGUSON: Vivian, could you just
21 amplify what's the second half professional fee
22 expenditure?

23 MR. BEITLER: Well, basically we --
24 because we use part-time people, a lot of the

1 part-timers show up in --

2 CHAIRMAN BELL: It's contract labor
3 basically.

4 MR. BEITLER: Right.

5 MS. FUNCHES: And as we move forward in
6 operations, we're going to start using website
7 design and the other consultants more, software,
8 IT.

9 CHAIRMAN BELL: You know, it's hard to
10 believe you can double our spend rate in six
11 months. Are there things that today we already
12 know we're obligated to pay that's a big hitter
13 that's going to happen in the second half.

14 MR. BEITLER: We're moving into our
15 office next month and we will have some
16 computer, electronics type expenses for moving
17 into the office, and we will have different
18 service expenses, in other words, how we pay for
19 Internet modems and things like that, but those
20 are a one time expense.

21 And then we will also begin to hire,
22 and that will change the profile as well. Now,
23 the hiring pace is to be determined. So the 995
24 number to your point could be lower because we

1 may not be able to hire as rapidly as we would
2 like. We don't want to rush it. We want to
3 hire the right people with the right skills.

4 CHAIRMAN BELL: So the 995 is what the
5 City has available to fund us this year and
6 so --

7 MR. BEITLER: The City basically has
8 950 available to fund us this year.

9 CHAIRMAN BELL: Okay. And that
10 shouldn't be a problem getting that?

11 MR. BEITLER: No.

12 CHAIRMAN BELL: Okay.

13 MS. FUNCHES: Any other questions?

14 CHAIRMAN BELL: You're done. Move on.

15 MS. FUNCHES: Now, I'll turn it back
16 over to Steve.

17 MR. BEITLER: Thanks, Vivian.

18 So, Mr. Chairman, you had asked for
19 an update on the projects that we've been
20 pursuing and so we've broken that up into three
21 slides on the same two-by-two chart that
22 basically show projects that are discarded,
23 projects that are in-process or approved and
24 projects for the future, and so this is the

1 first of the three charts. This actually shows
2 projects that --

3 CHAIRMAN BELL: Steve, before you do
4 that, let me just talk a little bit about why I
5 asked you to do that.

6 You know, obviously we have to be
7 mindful of the funds we have available to expend
8 over the period we have and we have to make sure
9 we're tracking, you know, what we accomplished
10 with that expenditure, and so what I've been
11 talking to Steve about is that a lot of projects
12 just come into the Trust and we have to have a
13 way to decide as a Board which ones we think we
14 want to go forward with before we expend too
15 much resources, and so that was the whole
16 discussion he and I had and how to best bring
17 that forward and then at least get tacit
18 approval on some of the projects that we think
19 have highest sight.

20 That doesn't mean we can't come back
21 and ask for approval on others, but, you know,
22 he's got a run rate that he's spending money on,
23 and we need to make sure that we're all
24 comfortable with it.

1 And, by the way, the timelines move
2 on these things pretty quickly. We have to try
3 to give the staff some coverage that, you know,
4 they spent money that we're pretty much in
5 agreement that that's the right thing to spend
6 money on. So that's what this discussion is
7 dealing with.

8 MR. BEITLER: So this first chart shows
9 discarded ideas which doesn't mean that they
10 were bad ideas necessarily, but for one reason
11 or another, perhaps the City wasn't prepared to
12 do something yet, perhaps the idea itself would
13 meet some regulatory hurdle, the financial model
14 didn't turn out or all of the above.

15 So solar would have been on this
16 portion of the chart at one point, but with the
17 passing of a subsidy for the Illinois Power
18 Agency, solar is now back as an active project,
19 so because the financial model can potentially
20 turn out correctly now that there's some subsidy
21 available to get the grid parity.

22 So the projects could move on and
23 off a list depending upon various circumstances,
24 but this is a list of projects that we have

1 reviewed and discarded for one of the reasons
2 that -- types of reasons that I mentioned.

3 MS. FERGUSON: So maybe, this is a
4 small point, but maybe discarded is not the
5 right word but deferred.

6 MR. BEITLER: Yes. We'll change the
7 term.

8 MS. FERGUSON: Especially if they're
9 going to pop back on.

10 MR. BEITLER: Right. So we'll change
11 that term.

12 MR. RAMIREZ: Not right.

13 CHAIRMAN BELL: You got a list of 10,
14 they could either fall to 11, or they could come
15 back in.

16 MR. BEITLER: That's right. So then
17 these would be approved or proposed projects,
18 meaning the Board has either approved the
19 project or we would be coming to the Board at
20 some point for approval of these projects, and
21 so we'll spend a little bit of time here.

22 On the upper left hand quadrant you
23 can see Municipal Retrofit 1 which is underway
24 and which we'll give you a brief update on

1 later, there's a couple of slides, so I'll move
2 on, and the same for aquatic centers that's
3 underway, and we'll give you a brief update on
4 that.

5 CTA 4G we will be presenting today
6 for approval so we'll go through that in some
7 depth in a little bit, and we're looking at a
8 number of alternative energy projects, solar,
9 cogeneration, battery energy storage and
10 waste-to-energy.

11 There's PACE we will go into detail
12 today; streetlights which we are in the process
13 of preparing an RFI for that project which would
14 be replacement of 400,000 streetlights. It
15 would become the largest streetlight replacement
16 project ever done. And then compressed natural
17 gas which we'll give you a brief update on after
18 these charts as well. And then two projects
19 which we will go over in executive section.

20 MR. HOFFMAN: Steve, quick question
21 about this chart and the other ones. So, first
22 of all, I commend you and Chairman Bell for
23 putting it together this way. I think it's very
24 helpful. I think it's a really good idea, and I

1 think we will all appreciate this going forward
2 as well.

3 Can you explain a little bit more
4 about the X and Y axis? I think net fees
5 generate is pretty self explanatory, although a
6 quick explanation about that would be useful,
7 but I'm especially interested in how -- when you
8 say project complexity what you mean and how you
9 think you'll be determining on where that falls
10 on the axis.

11 MR. BEITLER: Well, the net fees
12 generated is obviously more absolute than
13 project complexity in the sense that project
14 complexity is more of a judgment as opposed to
15 net fees generated where, you know, it's going
16 to generate X fee or Y fee and is that enough.

17 So when we look at projects now, we
18 look in terms of what is the fee that's likely
19 to be generated, what are the costs that are
20 likely to be associated with the project, is
21 there an adequate margin to enable the Trust to
22 become self sustaining because our goal -- we're
23 required to become self sustaining.

24 MR. HOFFMAN: I just asked in followup

1 on what that map has decided. I'm assuming, but
2 I want to ask, when you look at what the fees
3 might be, you're anticipating, I think the
4 project would be X size, the financing would be
5 X amount, and I'm multiplying that by a
6 percentage of what I think would be the
7 percentage of fees that we would receive. Am I
8 understand it right?

9 MR. BEITLER: Yes. We tend to look at
10 market rates for fees to determine in a
11 particular project or a historical rate to
12 determine what would be a likely fee that we
13 would be able to charge and then go through that
14 math exercise.

15 MR. HOFFMAN: And a fee would be
16 charged to the institution that's providing --
17 the entity that's providing the financing?

18 MR. BEITLER: Not necessarily. It
19 depends on the project. So there could be a
20 transactional fee in the traditional sense of
21 completing a deal transaction, but there could
22 also be a fee -- so in the case of CNG, we might
23 get a fee on every gas gallon equivalent that's
24 pumped, so it would be a different kind of fee

1 depending upon the project. There could also be
2 transaction fees in the CNG project.

3 CHAIRMAN BELL: Which in that case
4 would be borne by the customer?

5 MR. BEITLER: That's right.

6 CHAIRMAN BELL: The end user.

7 MR. BEITLER: So the fees may be
8 different and may be a different combination
9 project by project.

10 In terms of project complexity, it's
11 a little bit of a combination of factors and
12 it's not as absolute as on the fee side. So we
13 look at things like construction issues or
14 regulatory issues and make a determination, you
15 know, does -- are we doing a project where
16 there's a regulatory regime set up or do we have
17 to create a regulatory regime in order to do
18 that project.

19 Are we doing a project that is
20 fairly standard? Is it construction that people
21 do every day or is it some sort of unique
22 construction that people don't do every day?

23 MR. HOFFMAN: I think maybe the best
24 way to answer this, if you can in not more than

1 a minute because I don't want to take a lot of
2 time, but I see you've got Retrofit 1.0 way up
3 high and aquatic centers much lower. Maybe you
4 can explain how you see the complexities
5 differently.

6 MR. BEITLER: Retrofit 1 was the first
7 project, and there was a lot of complexity
8 simply because it was the first project and we
9 had to get everybody on the same page, agree on
10 a transaction methodology.

11 And as I'm saying this, I'm not
12 talking about staff and Board, I'm talking about
13 Trust and City and other parties that
14 participated, the private companies and so on.
15 So there are many, many parties that needed to
16 be involved in order to take that project
17 forward.

18 The aquatics centers is also an ESA.
19 It's the same type of project. There are some
20 similarities and some dissimilarities. So
21 interestingly people are more aware of ESAs
22 because of the work that we've done as the
23 Trust, however, when we did Municipal Retrofit 1
24 we were largely involved with City agencies,

1 city proper.

2 With aquatic centers we're involved
3 with parks and schools, and parks and schools
4 did not go through the same process
5 transactionally as the City went through for
6 Municipal Retrofit 1.

7 So we have a new cast, if you will,
8 of people who need to become acquainted and
9 taken through all the eccentricities of this
10 type of transaction which creates some
11 complexity, even though having done one already
12 that reduced complexity. So then we're making a
13 judgment as to where it falls onto the graph.

14 CHAIRMAN BELL: So it sounds like that
15 the way you make that determination, it talks
16 about the degree of difficulty the Trust is
17 going to have putting the deal in place as well
18 as the project itself because if you looked at
19 Retrofit 1, if it's the tenth project, it
20 probably wouldn't have that degree of
21 complexity.

22 MR. BEITLER: That's correct.

23 CHAIRMAN BELL: The project itself was
24 not that complicated.

1 MR. BEITLER: It would not. In fact,
2 in both of these projects, the physical
3 construction that will occur, there's nothing
4 unique about it. People are doing this kind of
5 construction all the time. So there's very
6 little complexity from a construction standpoint
7 for either project.

8 MR. HOFFMAN: Thank you.

9 MR. BEITLER: You're welcome.

10 So then potential projects, there
11 are several that we'll discuss in the executive
12 session and then there are two that we're
13 investigating.

14 One interestingly as we were working
15 with the CTA on 4G for the subways, the carriers
16 suggested looking at putting 4G in the Pedway in
17 the City, so we'll be looking at that project.
18 And then we're also looking at larger municipal
19 retrofits.

20 So in this particular case for
21 schools, for example, the aquatics center
22 project, which is half schools, will serve as an
23 analytical basis for looking at a larger
24 retrofit at schools.

1 We're also investigating Water
2 Department liens to determine how we can do
3 these projects within the framework of the
4 paperwork that we have to analyze to figure it
5 out.

6 So with that, I'll ask Claire to
7 take us through Retrofit 1 and we'll move onto
8 some other projects after that. Just tell me if
9 you need to change the slide.

10 MS. TRAMM: Sounds good.

11 Okay. Just to summarize again,
12 Retrofit 1 is now underway. That transaction
13 closed March, April of this year and is actually
14 breaking ground in late July in 60 buildings or
15 "breaking ground" in the sense that we are
16 upgrading buildings, not building new ones.

17 And then next slide, please, Steve,
18 this is the proposed score card. I put proposed
19 here because, in fact, at this time we just
20 received our first invoices from our project
21 manager, the PBC, so all of the funds have not
22 yet been deployed and we will commence being
23 deployed later this July.

24 And then in terms of projects under

1 way, we're getting through the change order
2 management process and all of the pre approvals
3 that 2FM had to negotiate with the ESCOs and
4 PBC, so that sort of wraps up here in late July.
5 It takes a couple months to do that stuff before
6 you can actually get in buildings.

7 So again projects are on track,
8 funds are on track but not underway yet. That's
9 a quick update on Retrofit 1.

10 Next slide, please, Steve. So the
11 transaction that was approved in our last
12 meeting is the aquatic centers upgrade or
13 Retrofit 2. We are, I'm pleased to say,
14 underway in both schools and parks with Level 1
15 energy audits.

16 So we have our selected firm,
17 Siemens, actually walking the grounds as they've
18 started over the past few weeks and both sister
19 agencies to take a look at what are -- basically
20 a quick look, not a full investment grade audit,
21 but a quick look at what are likely the cost
22 effective upgrades in all 141 buildings with
23 pools in them owned by the schools and parks.

24 We've also kicked off a contracting

1 work stream and are beginning negotiations with
2 Siemens Financial Services as well as schools
3 and parks about how their boards need to approve
4 these kinds of things, what are their concerns
5 and conditions that they want to include in the
6 contract in various phases.

7 Page 26, Steve, this just talks
8 about exactly where we are so I'll highlight
9 July which is in red going forward. Right now
10 we expect the Phase 1 audit to be completed
11 sometime in August, and then we hope to bring
12 two documents for the school board and parks
13 Board approval sometime late August, September.

14 One is the contingent investment
15 grade audit so it allows them to go forward with
16 the full engineering services and if they -- at
17 the end of that full engineering review in
18 sometime like December, which it takes three or
19 four months, at the end of that if they decide
20 not to move forward with the project, they're on
21 the hook essentially for compensating Siemens
22 for their time for doing those deeper
23 engineering reviews, and secondly, the
24 intergovernmental agreement with us.

1 So everything is on track there and
2 we're getting a lot of support. Offhand it
3 seems like there's going to be plenty of
4 opportunities in schools, and we're still
5 interested to see how the Phase 1 audits come
6 out on parks facilities because they, as a parks
7 and sustainability minded organization, had
8 taken the advantage of a lot of the low hanging
9 fruit already. So that's where we're at on
10 pools.

11 CHAIRMAN BELL: On the pool part, do we
12 still have to negotiate what our fee is on this
13 project?

14 MS. TRAMM: Yes. Yes.

15 CHAIRMAN BELL: And who do we negotiate
16 with?

17 MR. BEITLER: It's a transactional fee
18 so it will be with the three parties to the
19 contract, pools, schools -- parks, schools and
20 Siemens.

21 CHAIRMAN BELL: Okay. And are we --
22 have we entered into those discussions, so do we
23 have a sense of what we're going to end up here
24 yet?

1 MR. BEITLER: Well, we're anticipating
2 a standard fee based on similar types of
3 transactions.

4 CHAIRMAN BELL: Standard fee of what?
5 What about it --

6 MR. BEITLER: Up to 1 percent.

7 CHAIRMAN BELL: 1 percent?

8 MR. BEITLER: Yes.

9 CHAIRMAN BELL: Thank you.

10 MS. TRAMM: So without any further
11 questions on pools, let's review streetlights
12 which is the next slide, Steve.

13 So streetlights, we're actually in
14 the draft phases of our RFI and bouncing the
15 draft around now internally before we get to the
16 City and some of the stakeholders there that
17 will review it.

18 The goal again is retrofit the
19 City's 400,000 outdoor streetlights which would
20 be the largest project of its kind in the world
21 were we to actually find it cost effective to
22 replace all of these streetlights, but all of
23 them are currently in play and under review, and
24 I think we are very optimistic that the, you

1 know, Efficiency Service Agreement or ESA
2 contract structure will help us and be
3 applicable for this kind of a project. Parks,
4 in addition to the City, are the two agencies or
5 departments in play and both are very eager to
6 see this happen.

7 So Page 28 just shows --

8 CHAIRMAN BELL: So today we're able to
9 isolate the cost of the lighting throughout the
10 City as 400,000 lights?

11 MS. TRAMM: So the City has a very
12 detailed inventory of the lights and we're
13 working on getting the actual cost for all the
14 different myriad actual lights because there
15 are, as you can imagine, many different types of
16 bulbs and lighting structures.

17 CHAIRMAN BELL: So that's the cost of
18 replacement?

19 MS. TRAMM: Yeah.

20 CHAIRMAN BELL: I'm more interested in
21 knowing today does the City have the ability to
22 isolate what the energy cost is associated with
23 running all those lights?

24 MS. TRAMM: Oh, yes. We're good with

1 that.

2 CHAIRMAN BELL: So we'll have a clear
3 objective way to know that we're making the
4 same --

5 MR. BEITLER: Yes, we do.

6 MS. TRAMM: Yes. We've got most of
7 that data in. We're making sure we're releasing
8 that as part of the RFI so we can get maximally
9 helpful responses to the RFI.

10 MR. BEITLER: The time spent on the RFI
11 really has not been in writing the RFI, it's
12 been in collecting that data.

13 MS. TRAMM: So development timeline for
14 this, we hope to issue the RFI --

15 CHAIRMAN BELL: I'm sorry. Damon?

16 MR. SILVERS: Just a quick question
17 about this. That little thing down in the
18 corner, the platform, how are you thinking about
19 designing the RFI in relation to that broader --
20 that potentially broader mandate?

21 Are you thinking about these in
22 stages or are you thinking we're going to go
23 with this whole package?

24 MS. TRAMM: The way we're thinking

1 about it in terms of the RFI draft itself are
2 sort of in two parts; one, talking about
3 upgrading the infrastructure to make it more
4 efficient; and then the second is what else can
5 you do besides just making it more energy
6 efficient.

7 So whether it's automated metering,
8 whether it's solar on top of the streetlights,
9 whether it's video, et cetera, what else can you
10 do. And what we're going to try and do is
11 essentially list the things we heard of at least
12 comprehensively in a mutually exclusive,
13 collectively exhaustive sort of list and say if
14 you have anything that falls into these
15 categories, let us know. Also, you know, if it
16 doesn't fall into categories, let us know, and
17 we'd be very interested to hear what's out
18 there.

19 And then the way we think about this
20 in terms of as we move towards the RFP stage,
21 which on the next page we're hoping to happen by
22 the end of this year, we moved to RFP, we'd like
23 to review all of those ideas about a platform
24 uses of the streetlights as well as the energy

1 efficiency economics of these various categories
2 of lighting that are within our overall system
3 because we may phase a project, for instance, to
4 pull a few of the very synergistic projects that
5 come from the platform side into the Phase 1 of
6 the streetlights or, for instance, as we're
7 going through the streetlight energy efficiency
8 upgrades, we may want to enable certain aspects
9 of the platform so that later we can go back and
10 decide for sure do we want to add these elements
11 to our platform.

12 So we sort of need to take -- hear
13 what we got or see what we get back in terms of
14 responses and then think about how these
15 contingencies over time will play out because
16 the first step in this has to be mindful I think
17 of some of the later decisions and phases and
18 capabilities that the infrastructure needs to
19 have.

20 MR. SILVERS: Could I just make a
21 comment about this? There is an enormous sort
22 of opportunity in this kind of thing. As I
23 think Claire was alluding to, there's a lot of
24 path dependency. If you lock into an

1 obsolescent technology at the beginning --

2 CHAIRMAN BELL: You get lemons.

3 MR. SILVERS: -- you're going to be
4 stuck with it in that case. There's also
5 huge -- streetlights themselves are relatively
6 straight forward in terms of the kinds of things
7 that the Trust is seeking to do and the issues
8 involved, pretty simple.

9 When you take advantage of all of
10 these opportunities then you're into a series of
11 rather complex public policy issues, and so I'm
12 not suggesting to the Board that we ought to shy
13 away from that because the potential is so
14 great, but we just need to be thoughtful about
15 the public policy issues that then arise as you
16 go on.

17 MS. TRAMM: Yeah, I think what we'll
18 try and do after the RFI is try and lay out in
19 somewhat of a two by two, right, the project
20 complexity on the Y axis on those previous
21 slides. I think we need to think in terms of
22 what are the other things besides economics,
23 what are the other axes on which we want to
24 evaluate some of these other platform

1 opportunities.

2 MR. HOFFMAN: If I may. What is the
3 timing on when you expect the RFI to go out, and
4 if you have a timeline -- There you go. Thank
5 you. When would you expect responses, and if
6 you have thought about the RFP?

7 MS. TRAMM: We're hoping the RFI can
8 get out by July, August, although it looks like
9 the City just moved a meeting, a key meeting
10 that we need to have before it goes out until
11 mid August, so that may get pushed back now
12 until the end of August when we issue it.

13 I would expect we're going to give
14 the private sector four to six weeks to respond
15 and make sure that this goes out to as broad an
16 array of potential respondents as possible, and
17 then I would expect another probably 6 to
18 12 weeks internally spent reviewing and then
19 syndicating and talking about the strategy with
20 the various stakeholders of the City and Park.

21 MR. HOFFMAN: When the RFI goes out, to
22 Damon's point, will you send a copy to the Board
23 and the Advisory Board? I think reading it and
24 thinking about the points that Damon has alluded

1 to would be helpful.

2 MS. TRAMM: Absolutely.

3 MR. HOFFMAN: Thank you.

4 CHAIRMAN BELL: And who would make the
5 decisions as to what enhancements we would be
6 looking at? I mean, from the Trust's
7 standpoint, it would appear we would sort of be
8 limited to the efficiency approval.

9 MR. BEITLER: Well, there's a very
10 senior group of executives at the City who are
11 involved in these meetings that Claire was
12 alluding to, and we have been interviewing all
13 of the departments in the City to see what their
14 requirements are.

15 There are certain departments whose
16 requirements are more preeminent than others.
17 So, for example, the Police Department has some
18 specific requirements that would probably be
19 important to incorporate, and then there are
20 other things that we could do on the lights that
21 are more discretionary, if you will.

22 So to give you an example, the
23 police often plug their command centers into the
24 base of the light to get power, so when we redo

1 these, they have to still be able to plug their
2 command center into the base of the light, and
3 they'd like to be able to plug it into more
4 bases of lights rather than the limited numbers
5 that are available today.

6 So there would be that kind of
7 requirements and then there would be
8 discretionary --

9 CHAIRMAN BELL: So that doesn't get
10 paid back by efficiency. That's the point. How
11 does that --

12 MR. BEITLER: Well, all four cellular
13 carriers would like to put cellular nodes onto
14 the streetlights, and that would, in turn,
15 significantly subsidize some of the other
16 activities that would occur.

17 So one of the things that we have to
18 look at as we go forward is which activities are
19 revenue generating and how do they subsidize
20 other activities that may not be revenue
21 generating but may be a requirement, and simply
22 changing the light pole and saving energy may
23 not subsidize the full cost of all of those
24 requirements.

1 CHAIRMAN BELL: Okay.

2 MS. BARRETT: Chairman Bell?

3 CHAIRMAN BELL: Yes.

4 MS. BARRETT: Just a quick followup to
5 Damon's question. Because this is such an
6 emerging field, kind of that nexus of urbanism
7 and technology, there's a lot of great minds
8 connected to the Trust. There's a lot of
9 innovation that we would get through the RFI
10 process, but then there are others. There's the
11 whole just kind of entrepreneurial community.

12 I'm wondering if there's some way we
13 can build in tapping into some of the
14 innovations, exchanges, Agent 71, Chicago
15 Innovation Exchange, et cetera just to explore
16 the possibility.

17 MR. BEITLER: We're actually already
18 anticipating throughout the country, and this
19 will be the first project for which we do a full
20 scale PR component because there is such a large
21 community out there that is innovating in terms
22 of lighting.

23 So there are light bulbs now that
24 can change brightness based on phases of the

1 moon. I mean, there's just all kinds of
2 products out there now, and some of them are by
3 startups and some are not.

4 We do have to be a little bit
5 careful though. This is a very large project,
6 and it's a very significant project, and it
7 seems to me to be not very likely that some
8 small startup is going to -- they might be able
9 to be a subcontractor but --

10 MS. BARRETT: I'm not thinking so much
11 as bidders but as things that we want
12 information on. You know, we may not know what
13 to ask for on parking management, for example,
14 but that could be a revenue generator.

15 MR. BEITLER: This will be the first
16 project where we do a full PR approach to the
17 project to try to reach out as broadly as
18 possible to accomplish exactly.

19 CHAIRMAN BELL: Jorge?

20 MR. RAMIREZ: Yeah, I just think this
21 is the kind of project that the Trust should be
22 looking at. I think we should run to this and,
23 you know, understanding what the concerns are
24 and just handling it straight on, but I like

1 that we're not digging up things and stuff like
2 that, yet creating essentially a network,
3 potential for a network as well.

4 And I think it would -- a lot of
5 folks would have a lot of interest in this,
6 folks that are, I'll speak for myself, much
7 smarter than me, will look at this and see the
8 technological advantages that this can bring for
9 the next generation ideas and things in terms of
10 communications and how things operate in the
11 system.

12 This would end up being a great
13 experiment I think and a great feather in our
14 caps to move in this direction. It's a good
15 one.

16 MS. TRAMM: Okay. Well, thank you all
17 for your comments on the energy project. I'll
18 turn it over to Nick to talk about CNG.

19 MR. EPSTEIN: I'm going to give a brief
20 update on the compressed natural gas program.
21 We introduced this idea a few months ago, and we
22 have been doing some more exploratory work on
23 this project.

24 And the basic idea here is that

1 compressed natural gas is a much cheaper, much
2 more environmentally friendly fuel than gasoline
3 and diesel, and the reason why you don't see
4 more adoption among municipal fleets and private
5 fleets is that there is a lack of fueling
6 infrastructure.

7 The fueling providers who own
8 stations are hesitant to build that
9 infrastructure because they're not sure who's
10 going to come and fuel at their stations, and
11 the private fleets and the municipal fleets are
12 afraid to make the investment in natural gas
13 vehicles because they're unsure if they'll be
14 able to acquire the necessary fuel to power
15 their vehicles.

16 MR. BEITLER: The chicken and the egg.

17 MR. EPSTEIN: The chicken and the egg,
18 right. So we've been meeting for months now.
19 We have been working with Fleet and Facility
20 Management. Steve, if you want to go to the
21 next page.

22 We have been conducting what we call
23 a listening tour. We've been meeting with Fleet
24 and Facility Management to develop a natural gas

1 vehicle acquisition plan that we think will
2 maximize the potential cost savings for the
3 City.

4 2FM actually recently acquired
5 seven natural gas refuse trucks that they're
6 unsure if the City owned CNG fueling
7 infrastructure will be able to properly fuel
8 these new vehicles, so they have a definite
9 interest in a privately financed public access
10 station, network of stations that we're looking
11 at facilitating.

12 We have also spoken to six or seven
13 private sector fleets, large corporate fleets in
14 Chicago that are interested in pursuing this
15 program that if we were able to get a network of
16 stations built that they would make the
17 investments in acquiring natural gas vehicles.

18 So the idea here is that we
19 essentially line up enough demand to incentivize
20 one or more natural gas fueling providers to
21 make an investment and build a number of
22 stations, and we are expecting submission of one
23 or more unsolicited proposals from natural gas
24 fueling providers I think at the end of the

1 month who are interested in being the fueling
2 provider for this program. That's where that
3 stands.

4 CHAIRMAN BELL: Well, how do we deliver
5 the demand though? I mean, how do we -- Do we
6 have to have some of these fleets sign up?

7 MR. BEITLER: Well, the City fleet
8 would be the first fleet that would enable us to
9 do that.

10 CHAIRMAN BELL: Would that be
11 sufficient enough as far as that goes?

12 MR. BEITLER: The savings -- we're
13 working on jointly a model with the City and the
14 savings potentially looks significant, so it
15 seems like there would be a very good reason for
16 the City to convert the model focused initially
17 on light duty vehicles which is actually not the
18 sweet spot.

19 So we believe that when we focus on
20 heavy duty vehicles, which is the sweet spot,
21 that there will be even greater savings, and we
22 will put together a plan to convert City
23 vehicles, and the station providers would, in
24 turn, build stations.

1 MR. HOFFMAN: I have some really basic
2 probably dumb questions. Regular -- my car
3 which is not a hybrid, can't -- just a regular
4 car cannot run on CNG unless there's some
5 conversion that takes place?

6 MR. BEITLER: Or you purchase a CNG
7 vehicle.

8 MR. HOFFMAN: Does the City currently
9 have a significant fleet of CNG equipped
10 vehicles?

11 MR. BEITLER: Interestingly, the
12 suburbs do, but the City does not because the
13 filling stations don't exist in the City for the
14 most part, but they do in suburban areas.

15 MR. HOFFMAN: Moving in this way, if
16 we can be the catalyst to help the chicken and
17 egg problem, great. If it's a technology that's
18 going to be alive for years and work, that's
19 great.

20 One, again, you know, possibly
21 uninformed concern or question would be, you
22 know, we see a lot more electric cars, so we
23 sitting here won't be able to have the knowledge
24 of the future in what technology would become

1 dominant in two years or five years from now.

2 So one concern would be that we're
3 helping the City move in a direction that
4 ultimately will be wasteful because two to five
5 years from now someone is going to say why did
6 you go to CNG, it's all electric now, even for
7 buses. We don't know how the technology will
8 develop.

9 So this is not an effort to throw
10 cold water on it, but it's an effort to ask
11 are we sort of potentially moving toward
12 building --

13 MR. BEITLER: We actually do know how
14 the technology will develop though, and we're
15 aware of what the timelines are. We're working
16 with, as part of this project, with several
17 truck manufacturers, with several vehicle
18 manufacturers.

19 MR. HOFFMAN: So what is the answer on
20 the timeline?

21 MR. BEITLER: 15 years, maybe longer.

22 MR. HOFFMAN: 15 years there is
23 confidence that CNG is actually going to be a
24 useful and most efficient alternative fuel?

1 MR. BEITLER: Yes.

2 CHAIRMAN BELL: And that's only because
3 of the big find of Shell Gas lately that says
4 that we have this managed in the U.S. for years
5 to come, if we don't give it away. That's one
6 other caveat. We can very well do that.

7 MR. HOFFMAN: Fracking dependent.

8 MR. EPSTEIN: CNG is about \$2 cheaper
9 on a gallon of gasoline equivalent than the --

10 MR. RAMIREZ: Could you repeat that?

11 MR. EPSTEIN: CNG is \$2 cheaper on a
12 gallon of gasoline equivalent as the unit of
13 measurement.

14 MR. BEITLER: This can potentially be
15 an extremely important program for all levels of
16 business because a small business owner who owns
17 say five Ford F150 pickup trucks, Ford makes all
18 their F150 trucks now as CNG trucks, so you
19 could actually convert your vehicles as a small
20 business owner, say you own a small construction
21 firm, to CNG F150s and start saving \$2 a gallon
22 which would very quickly add up.

23 So this is not only a program for
24 the Fed Exes of the world or city fleets but

1 also for our small business person in the City,
2 and there are some vehicle manufacturers now who
3 are building commercial sedans, so, you know, a
4 small four passenger vehicle that you can
5 purchase as an OEM CNG vehicle now.

6 So as just residents of the City
7 you can purchase a CNG vehicle and save a
8 significant amount of money on filling up at the
9 pump.

10 MR. HOFFMAN: Sure, or you can have an
11 electric car and you're having troubling
12 figuring out where to charge it, is it easy to
13 bolt onto this project -- we're potentially
14 putting stations together, is it easy to bolt on
15 to that project that 5 or 10 percent of the
16 space is also available for members of the
17 public to charge their car?

18 MR. BEITLER: We are looking exactly at
19 that potential.

20 CHAIRMAN BELL: I guess the thing
21 though is that -- because I think people wonder
22 why now are we all of a sudden talking about
23 natural gas. It's because of the advantage that
24 we just realized we have this big reserve in the

1 U.S., and that's why it's on the table, and
2 that's why it's now competing with electrical
3 because it's cheap.

4 MR. BEITLER: We actually went over the
5 demand curves about two board meetings ago so I
6 can now forward you the demand curves.

7 MR. SILVERS: Mr. Chairman, I just want
8 to followup on your point about if we don't give
9 it away.

10 CHAIRMAN BELL: Yes.

11 MR. SILVERS: Just to say to the Board
12 that, you know, David's point about, you know,
13 add on electric stations I think is a very fine
14 point, but the thing we really got to watch out
15 for on this, which is in every -- as far as I
16 can see a fine project and it will do exactly --
17 if successful, will do what was just being
18 discussed which is you get a critical mass that
19 will then enable all kinds of people to dock on,
20 but the critical issue is to the extent that
21 payback for that financing is long-term, you
22 really got to have a clear understanding of the
23 long-term trajectory of natural gas prices, and
24 the impact of two things, one is the plans for

1 exporting and globalizing the price which I
2 think, Mr. Chairman, was your point.

3 CHAIRMAN BELL: Yeah. Got it.

4 MR. SILVERS: And the other is that
5 what the pricing factor is going to be of
6 everyone behaving the way that we're behaving.
7 You know, you've got natural gas prices being
8 set by a certain type of usage. We're ramping
9 up electric power use of natural gas. We're
10 ramping up a lot of things. We got to think
11 long term and we've got to look at whether
12 there's ways in which the Trust can layoff the
13 risk.

14 MR. BEITLER: Just to be clear, by
15 doing this program in this manner, it is
16 possible to enter into long-term supply
17 contracts at particular prices.

18 MR. EPSTEIN: That's the risk, correct.

19 MR. SILVERS: That's what I'm getting
20 at.

21 MR. BEITLER: So that is a definite
22 component of this program that would benefit the
23 City in a very specific manner for an extended
24 period of time.

1 CHAIRMAN BELL: Well, I mean, to me the
2 key risk is being able to deliver that critical
3 mass initially and guarantee that to the
4 provider station.

5 MR. BEITLER: So a station provider is
6 generally willing to build a station on the
7 basis of 30 converted vehicles being available
8 in the vicinity of that station, so they just
9 view that as sort of the startup number of
10 vehicles necessary, and at this point in the
11 light duty City fleet alone, there's 4,000
12 potential vehicles to run.

13 CHAIRMAN BELL: I just don't know what
14 that cost is and if the City has the money and
15 will they --

16 MR. BEITLER: There would actually be a
17 significant savings. We're running through the
18 model at this point. The savings look
19 excellent.

20 CHAIRMAN BELL: Okay.

21 MR. BEITLER: So now we'll move into
22 our first project for which we will be asking
23 the Board to vote.

24 MR. EPSTEIN: So the CTA in November of

1 last year, John Flynn, the CTA's chief
2 technology officer, reached out to the Trust to
3 ask if we could help them assist in identifying
4 alternatives and cost effective financing for a
5 new 4G distributed antenna system for the
6 Chicago subways.

7 A 4G DAS, the installation will
8 allow for high speed 4G wireless access in the
9 City's 24 miles of subway, tunnels and stations.
10 Prior to our involvement, the CTA was planning
11 on either issuing debt to pay for the project or
12 paying for it through their capital improvement
13 budget and directing the funds from other
14 projects such as buying new railcars.

15 After we were engaged -- I'll go to
16 the next slide. Here is just some basic
17 demographics on the Blue and Red Lines so you
18 get an idea of the population that would benefit
19 from an upgraded wireless cellular architecture
20 in the subways.

21 We also did some statistical
22 analysis and calculated what we think the total
23 demand in ridership, the growth in ridership
24 over the next 15 years based on growth in the

1 last ten years, and we think that the Red Line
2 will be between a little over a billion,
3 1.2 billion riders and on the Blue Line between
4 670 and 814 million riders cumulatively over the
5 next 15 years. This slide is for the entire
6 rail system.

7 We also calculated what we call
8 network demand times. So if you think about a
9 passenger waiting for 10 minutes for a subway
10 train and then traveling on the train for 15
11 minutes, that's potentially 25 minutes that they
12 could be using a mobile device, so we calculated
13 the total wait and travel segments, multiplied
14 that by the expected ridership growth, and this
15 is the total amount network demand hours for
16 mobile devices that we think are going to grow
17 in the next 15 years as well.

18 MR. RAMIREZ: It's depressing.

19 MR. BEITLER: One of our attorneys is
20 very excited about being able to bill in 15
21 increments.

22 MR. EPSTEIN: And here is projected
23 network demand time for the entire CTA rail
24 system.

1 So overall we thought that there was
2 a great case for private businesses to make the
3 investment instead of the CTA for this project.
4 There are several billion riders projected to be
5 using the subways in the next 10 to 15 years
6 when 4G is still a viable technology, and
7 hundreds of millions of hours of projected
8 demand time.

9 We did months of research looking at
10 how these projects were financed in other
11 cities, and what we discovered is that in one
12 form or another the Metra authorities in the
13 various cities have approached the wireless
14 carriers to collectively fund the system because
15 they're not just subway passengers, but they are
16 cellular customers and the cellular -- the
17 wireless companies want to provide optimal
18 service no matter where their customers are.

19 So there were two basic models that
20 we found that had worked in other cities. One
21 is a third party model where a wireless or a
22 Metro authority would enter into a contract with
23 the third party to design, build and finance the
24 entire DAS system and then enter into individual

1 contracts with the wireless carriers to get
2 capital and licensing funds.

3 And then the second model is what we
4 call the wireless consortium model where the
5 wireless carriers come together as a business
6 consortium and directly engage the Metra
7 authority to design and build the system and
8 provide the financing.

9 CHAIRMAN BELL: This is the thing that
10 I'm always trying to figure out on this project.
11 So the revenue creating end of it for us in the
12 City is that we provide the capability for them
13 to have our riders spend more time on their
14 system which would provide more revenue for
15 them, and we charge them a fee for that, is that
16 it?

17 MR. BEITLER: The CTA would charge them
18 a fee for it, yes, sir.

19 CHAIRMAN BELL: Or a fee for it. Part
20 of the fee though would it be -- the carriers
21 will make the initial investment to put it in
22 place, but part of going forward we'd have to
23 maintain it at some certain level?

24 MR. BEITLER: Well, some of these

1 things are to be determined such as who does
2 what maintenance, but basically there's two
3 major components. One is capital expense
4 avoidance and the other is licensing fee. So
5 basically instead of the CTA paying to install
6 the system, the carrier is paying to install the
7 system.

8 CHAIRMAN BELL: Why would the CTA ever
9 pay to do it anyway? I mean, just to improve
10 the rider experience?

11 MS. BARRETT: Correct.

12 MR. BEITLER: Yes.

13 MR. RAMIREZ: They can charge on the
14 back end though.

15 CHAIRMAN BELL: But if they just did
16 that without the carriers, they wouldn't charge
17 the riders for having Wi-Fi, would they?

18 MR. BEITLER: No. The riders would
19 still approach that system through their
20 carriers through the phone that their carriers
21 provide them.

22 MR. EPSTEIN: There's also a public
23 safety aspect of first responders having access
24 to more of the network in the subways.

1 CHAIRMAN BELL: Okay.

2 MR. EPSTEIN: So the CTA by the time we
3 had gotten involved had already issued a -- gone
4 through their RFI, RFQ, RFP process to select
5 the contractor to perform the design, build and
6 install work.

7 We then entered into an engagement
8 contract with the CTA and then we were
9 authorized to go out and pursue the financing
10 for this project.

11 So from late April through June we
12 met with the four major wireless carriers, AT&T,
13 Sprint, T Mobile and Verizon. We presented them
14 with our research and we asked them to
15 participate in the project by collectively
16 funding the upfront capital expenditures.

17 In the last week we received a
18 commitment, nonbinding statement of principals
19 where the carriers have agreed to fund, pending
20 further negotiations, the full cost of the
21 system.

22 So again the CTA was planning on
23 paying for it themselves in one form or another,
24 and now we're getting it 100 percent financed by

1 the carriers pending consensus on the design of
2 the system.

3 CHAIRMAN BELL: So would the CTA
4 consider that a win even if they didn't get an
5 annual fee?

6 MR. HOFFMAN: I would hope so. But, I
7 mean, it's a good question.

8 CHAIRMAN BELL: Or do we also have to
9 have the revenue stream?

10 MR. BEITLER: Well, annual fees are a
11 market component of this type of transaction, so
12 in negotiation we would expect that an annual
13 fee would be -- a fee of some sort would be
14 negotiated.

15 There are different bases in
16 different subway systems for how that fee is
17 negotiated, but there is precedence that the fee
18 exists so we would expect that --

19 MS. FERGUSON: I think capital
20 avoidance by the CTA is a good thing.

21 CHAIRMAN BELL: Will they be happy if
22 we were able to structure a deal that they just
23 got the infrastructure installed and they didn't
24 have to pay for it?

1 MR. BEITLER: Yes, I believe they would
2 be.

3 MR. HOFFMAN: Now, on the fees you're
4 talking -- I looked at the New York and D.C.
5 options you have listed here, your point is that
6 both contain fees that the transient agency gets
7 paid by the carriers, in addition to the
8 carriers building out the capital?

9 MR. BEITLER: That's correct. For the
10 2G system that exists right now, the CTA does
11 receive a fee from the carriers for that system,
12 although the carriers did not pay to install
13 that system.

14 MR. HOFFMAN: So if you cut to the
15 chase --

16 CHAIRMAN BELL: They did not pay?

17 MR. BEITLER: Correct.

18 MR. EPSTEIN: The CTA paid for the full
19 system 2G in 2005.

20 CHAIRMAN BELL: In those other models,
21 the City paid or the CTA of those cities paid
22 for the installation?

23 MR. BEITLER: In the 2G system.

24 CHAIRMAN BELL: We're asking them to

1 pay for it and pay a fee.

2 MR. BEITLER: Right, which is what's
3 happening in the other cities.

4 CHAIRMAN BELL: I don't mind. I don't
5 mind. I mean, I like that. I'm just saying --

6 ALDERMAN THOMAS: They are already
7 doing it in other cities. They're doing it in
8 New York and D.C.

9 CHAIRMAN BELL: Good. And they're
10 getting it done in other cities?

11 MR. BEITLER: Right.

12 MR. EPSTEIN: Generally there's a
13 licensing fee to use the City's subway
14 architecture to provide the cellular service,
15 and then there's like an operational or
16 maintenance fee that's on a monthly or annual
17 basis.

18 MR. BEITLER: I'm sorry, go ahead,
19 please.

20 MR. HOFFMAN: Very quick on the
21 maintenance point. It was asked earlier. When
22 I hear that, it sounds like that suggests,
23 although you said it's to be negotiated, it
24 suggests that one outcome is the CTA may be

1 responsible for maintenance, but they'll be
2 getting a fee that is designed to cover the
3 operations or a maintenance fee, is that the
4 general idea?

5 MR. EPSTEIN: That is my understanding
6 of how it works in other cities.

7 MR. BEITLER: There are issues, just to
8 be clear though, in terms of, for example, who's
9 responsible for upgrading the system as new
10 technology becomes available.

11 CHAIRMAN BELL: Maintenance and upgrade
12 are two different things.

13 MR. BEITLER: Yes. And that is to be
14 negotiated between the carriers and the CTA.

15 MR. HOFFMAN: Although this principals
16 agreement that you gave us says each company
17 will bear the cost of any carrier's specific
18 feature of any system upgrade. So it's
19 specific, and when you get into the details, the
20 CTA may have some costs relating to upgrades.

21 MR. BEITLER: They may. It's not
22 necessarily the case that the carriers will pay
23 for everything because there may be some things
24 that are specific only to the CTA, and really

1 have nothing to do with the carriers such as
2 related to the private radio network that the
3 CTA uses for its even communications.

4 MR. HOFFMAN: So just having read this
5 agreement in principal, can you describe what --
6 so, first of all, it sounds like, although you
7 may be reluctant to pat yourselves on the back,
8 it sounds like you have moved the ball a
9 tremendous amount down the field in a way that's
10 beneficial to the City and to moving this
11 forward? In and of itself that seems very good.

12 What is the -- this had some vague
13 language in here about what the Trust's role
14 would be going forward in this. Could you talk
15 about that a little bit?

16 MR. BEITLER: We don't know yet. So we
17 presented two options.

18 CHAIRMAN BELL: That's exactly what I'm
19 saying.

20 MR. BEITLER: We presented two options
21 to the carrier.

22 CHAIRMAN BELL: The devil is in the
23 details.

24 MR. BEITLER: We took the approach

1 during this process that the Trust would be
2 Switzerland sort of, and so we presented two
3 options to the carriers. One option was to
4 continue to utilize the Trust for the purpose of
5 bringing this project to conclusion, and the
6 second option was to not utilize the Trust and
7 to deal directly with the CTA, and that's
8 because there is one option where there is no
9 intermediary that is working on doing these
10 types of projects. So we offered both options
11 to the carriers.

12 The carriers just completed the
13 agreement in principal this past week, and now
14 we will be going -- after this meeting, should
15 the Board approve this as an official project,
16 we would go back to the carriers to make a
17 determination as to whether or not the Trust
18 will continue in this role or whether they would
19 prefer to go their own way.

20 But we didn't want to get into that
21 particular discussion until we had presented it
22 to the Board.

23 MR. HOFFMAN: I think I'm satisfied
24 with that. I think it sounds good.

1 Let me just make one -- I don't want
2 to get off the nuts and bolts of this, but let
3 me take the opportunity to make one broader
4 point for anyone who's listening behind these
5 tables.

6 As I understand this, you're saying
7 that the staff of the Trust through it's
8 research was able to determine that there were
9 other alternatives that were not at the time
10 being considered, suggest those alternatives,
11 come to an agreement with the carriers and the
12 CTA and then moved this to where we are on. But
13 it was because of the staff's research and work
14 that that occurred. I don't want to overstate
15 it.

16 MR. BEITLER: In conjunction with the
17 office of the CTO of the CTA who originally
18 approached us because he was aware that there
19 were other things going -- other alternatives
20 out there but didn't have the ability to
21 research those on let's say a financial,
22 transactional perspective.

23 MR. HOFFMAN: Sure. So shared credit,
24 absolutely. This is a point about our budget

1 and about City funding. I understand that the
2 long-term vision is that we would be self
3 sustaining and that's a great vision.

4 But it seems to me that this is a
5 great example if you have truly funded full-time
6 people like Claire and Nick who are there and
7 you have double or triple the number of Claires
8 and Nicks, and we don't have many of them, that
9 the benefit to the City is going to be quite
10 great.

11 This is a tremendous benefit it
12 seems to me that was moved because the CTO of
13 the CTA reached out to you and said I don't have
14 the bandwidth to do some research here, can you
15 help with this, and look what happened.

16 So for those who are listening about
17 funding from the City in the short-term, it
18 seems to me that there's a clear return on
19 investment that as a startup here, adding some
20 money to provide some additional research would
21 be very useful.

22 MR. BEITLER: So directly to your
23 point, if you look at this chart which we showed
24 earlier, you can see that the CTA 4G project has

1 very low fee potential.

2 CHAIRMAN BELL: For the Trust.

3 MR. BEITLER: For the Trust, but is not
4 particularly complex either to accomplish, so
5 it's definitely what I would call a public good
6 project which I think is what you're alluding to
7 or not alluding to, being very specific about.

8 MR. HOFFMAN: Sure. Yes.

9 MR. BEITLER: And the CTA has agreed to
10 reimburse us for our expenses so we're --

11 CHAIRMAN BELL: Definitely the right
12 thing to do.

13 MR. BEITLER: Right.

14 CHAIRMAN BELL: In either model,
15 whether they want us involved and we can niche
16 out a role we think we can do and get a revenue
17 stream or if they don't want us involved, it's
18 clearly the right thing for us to help them.

19 ALDERMAN THOMAS: Mr. Chairman.

20 CHAIRMAN BELL: Yes.

21 ALDERMAN THOMAS: With the CTA
22 reimbursing for costs, that is exactly what the
23 City Council was looking for when we see self
24 sufficiency, not for more City dollars, but

1 having whatever you do be paid for and the CTA
2 is -- gets tax dollars and so that's their
3 budget. City has tax dollars. Public schools
4 have tax dollars. But it makes this fund self
5 sufficient, this Trust self sufficient.

6 MR. EPSTEIN: I think one point that we
7 should make, I think an unanticipated outcome of
8 this project is with the carriers involved with
9 the design of the system, we think we will end
10 up with a far superior system in terms of
11 quality, something that will provide better
12 service in the out years compared to what the
13 CTA would have been able to design on their own.

14 MR. BEITLER: The carriers are very
15 motivated because if you can't make a phone call
16 in the subway, you don't call the CTA, you call
17 the carrier.

18 MR. HOFFMAN: That would drive the
19 maintenance you would think.

20 CHAIRMAN BELL: Okay.

21 MR. EPSTEIN: So the carriers expressed
22 an interest in the consortium approach, and
23 we're currently working on -- they have in place
24 what's called a national teaming agreement which

1 has been in place for more than ten years which
2 allows them to collectively fund and work on
3 projects without arising of any antitrust
4 issues.

5 So they are currently working on
6 internally how they want to structure this
7 particular project and who will be the lead
8 carrier. There's usually one of the four
9 carriers that's designated to kind of spearhead
10 the carriers' efforts.

11 MR. RAMIREZ: I was giggling because I
12 think it's great that they now see the wisdom of
13 collective action.

14 CHAIRMAN BELL: Okay.

15 MR. BEITLER: Now we'll go back to
16 Claire to discuss property assessed clean
17 energy, and there will be a conclusion to the
18 CTA 4G project in the executive session.

19 CHAIRMAN BELL: When are going to ask
20 for the vote on that?

21 MR. BEITLER: We could ask for it now.
22 We were going to ask for it in the executive
23 session.

24 CHAIRMAN BELL: I'm asking you that

1 because David has to leave at 11:30.

2 MR. BEITLER: There's no reason not to
3 do it now.

4 CHAIRMAN BELL: Is there anything in
5 the -- Let me ask you this: Is there anything
6 in the executive session, Steve, that would be
7 information that would affect the vote on that?

8 MR. BEITLER: No, it's strictly
9 contract related information.

10 CHAIRMAN BELL: Just more detail
11 that's --

12 MR. BEITLER: Not publicly disclosable
13 because it's proprietary or contracting related.

14 MR. BEITLER: As you can see in your
15 dec that the slides related to it are at Page 62
16 which goes into costs and 63 and then Page 64 is
17 the resolution.

18 MS. TRAMM: We won't show the other
19 two, but the resolution is here.

20 CHAIRMAN BELL: I would like to do it
21 while the full Board is here, unless anyone else
22 has an objection to it, but looking at the
23 charts --

24 MR. BEITLER: The two other charts are

1 not material. They are just more detail.

2 CHAIRMAN BELL: Just more detail. I
3 think you've talked through pretty much the
4 benefit of both of these projects and what --
5 you know, what we know about our role now and
6 obviously you have an opportunity to come back
7 and weigh in as negotiations proceed, whether
8 we're going to continue or not, but I think
9 right now with what we see, I think that's where
10 you'd like us to have a vote.

11 MR. RAMIREZ: Motion.

12 MS. FERGUSON: Seconded.

13 CHAIRMAN BELL: All in favor?

14 (A chorus of ayes.)

15 Great.

16 MR. BEITLER: Thank you.

17 Now, we will ask Claire to take us
18 through the PACE presentation, and then should
19 you care to, we can also -- again there's a
20 couple of slides in executive session for PACE,
21 but they are also similarly detailed slides, and
22 we could, depending upon your desires, flip to
23 that resolution and then go back.

24 CHAIRMAN BELL: Okay.

1 MS. TRAMM: Okay. So I think we've
2 covered the basics of what a PACE program looks
3 like so I'll try and be brief, but overall, to
4 summarize, the idea is to leverage the City's
5 property tax collection mechanism in service of
6 private sector individual opt in choices by
7 building owners to do energy efficiency and
8 renewable energy types of upgrades to their
9 buildings.

10 And so we just enable our mechanisms
11 to be a collections mechanism which are senior
12 to the mortgage and thus highly secure and
13 getting the financing rates down and of longer
14 term than they could otherwise access. So
15 that's the basic approach.

16 It increases the nonoperating
17 income, lowers operating expenses, if you're a
18 renter, et cetera. So this is a win/win
19 economically.

20 It lowers the cost of doing business
21 in the City. It certainly advances the Mayor's
22 2015 sustainability plans in reducing --
23 improving citywide energy efficiency, and I
24 think it's something that is a great usage of

1 the City's operational transactions to enable a
2 private sector program like this in the
3 infrastructure space.

4 So Page 46 just shows the
5 development timeline of this program. We have
6 been in R and D since mid last year. We
7 received an unsolicited proposal in January and
8 then proceeded, after you reviewed this in
9 February, we proceeded to an open bidding
10 process that was spurred by that unsolicited
11 proposal in May.

12 We received a number of responses
13 back by June 26th and are now evaluating those
14 to create the program.

15 Also I should mention on here the
16 city energy benchmarking ordinance was
17 implemented on June 1st which means that all of
18 these big commercial property owners are having
19 to disclose how much energy they're using and
20 are essentially now in competition or being
21 rated and there's more consciousness of this.

22 So I think this follows in an
23 extremely timely manner to offer people a tool
24 financially to actually do something about that

1 energy usage in their building if they're
2 finding it's much higher than they expected.

3 So our hope is that today we can get
4 your blessing to move ahead with the selection
5 of these program administrators and financiers
6 and other partners because it's quite an
7 interesting group that you pull together to do a
8 project like this and then begin with program
9 set up and again bring us to the City Council in
10 roughly November -- October, November time
11 frame. So just to --

12 MR. HOFFMAN: What are the logistics of
13 that, Claire? Do you issue an RFP to choose
14 them or what is the mechanism that you issue or
15 do to choose them?

16 MS. TRAMM: So that was the open
17 bidding process that commenced in May and
18 wrapped up on June 26th. Now we're sort of in
19 the question and answer period on the proposals
20 we received. I mean, these vary between about
21 20 and 150 pages so they are traditional sort of
22 RFP responses, and we posted to our website what
23 looks an awful lot like a traditional RFP, so I
24 believe it's still up there so you can review it

1 at any time.

2 MR. HOFFMAN: The open bidding process
3 the people sent in responses for their bids was
4 in response to what? What did we issue?

5 MR. BEITLER: An unsolicited proposal
6 that we received. We received an unsolicited
7 proposal.

8 MR. HOFFMAN: We issued something to
9 let the world know you should bid.

10 MR. BEITLER: We do the open bidding
11 process which says to the world we received an
12 unsolicited proposal, anybody who would like to
13 submit their own proposal may do so.

14 MR. HOFFMAN: Right, that's the thing.
15 What do you call that?

16 MR. BEITLER: Open bidding process.

17 MR. HOFFMAN: So on the timeline it
18 says OBP begins, that's when we issued the open
19 bidding process?

20 MS. TRAMM: Exactly. And that was
21 posted in mid May on the website, and then also
22 I accompanied that with an email to everyone who
23 expressed interest in this program, along with
24 the national association of folks that are

1 involved with PACE programs across the country.

2 So Page 47 just shows the proposed
3 transaction structure diagram, although this may
4 change in response to the actual program design
5 help that we're bringing on board when we select
6 them in the future.

7 MS. FERGUSON: What's the difference,
8 Claire, does the building owner see in their tax
9 break? Is there a line item?

10 MS. TRAMM: It's a line item. It's an
11 additional line item.

12 MS. FERGUSON: So there is a new line
13 item that appears that is incremental or
14 replaces something else?

15 MS. TRAMM: It is incremental. It is
16 not a substitute for anything on the tax bill.
17 Again it's opt in so only with your full consent
18 and lots of project development to get to this
19 point do you see that item on your tax bill.

20 It's not, you know, a TIF or by
21 majority vote in your district. None of that
22 stuff. This is particular to your building, and
23 then your commensurate bill that goes down is
24 your energy bill.

1 ALDERMAN POPE: Claire, I just had a
2 question. What kind of disclosure do the owners
3 of the property have, if any, to tenants? Is
4 there some formal notification that we're
5 planning to participate in this program, you'll
6 see an incremental increase in your real estate
7 tax bill?

8 MS. TRAMM: Yeah, it's a great
9 question, disclosure to tenants. What we do
10 show in one of the later slides is sort of which
11 markets this would effect so I'll show on 52.

12 CHAIRMAN BELL: It would be in your
13 lease fees, I mean, if they're going to put it
14 in there.

15 MS. TRAMM: What's happening is
16 basically your property tax is a pass through to
17 your lessees already, and so, you know, they'll
18 be notified basically that one is going to go up
19 and the other is going to go down and that they
20 will be commensurate.

21 MR. RAMIREZ: Claire, it's important
22 that we remember as well that the City
23 benchmarking ordinance, I see it in every
24 building I get into practically, they pop it on

1 the screen if it's got one of those screens
2 inside the elevator, talk about how much energy
3 they saved this year and how many trees they
4 saved and blah, blah, blah.

5 MS. TRAMM: Yes.

6 MR. RAMIREZ: So it's there. I mean,
7 they're bragging about it and reporting it and
8 trying to use it as a tool for telling tenants
9 that we're a very efficient building.

10 MR. BEITLER: I don't think there's a
11 notification issue because in every lease there
12 would be a requirement for notification. You
13 would basically follow the requirements that
14 exist in the lease.

15 MS. TRAMM: We believe that even if the
16 building owner makes these decisions it's going
17 to net net benefit the lessee.

18 So that's the transaction structure.
19 It's a little complicated, but on the left side,
20 you know, we're showing basically the
21 relationship between the building owner, the
22 contractor that they select to actually do the
23 work and then their mortgage lender whose
24 approval they need to be able to put a first

1 lien above the mortgage, and I believe it's now
2 two banks and counting that have approved first
3 liens.

4 CHAIRMAN BELL: Why on earth would they
5 approve that? I saw that data. I said that's
6 great.

7 MR. BEITLER: They're in the business.

8 MS. TRAMM: There's two reasons.

9 CHAIRMAN BELL: Lending, okay.

10 MS. TRAMM: It actually improves the
11 net operating income of the building because
12 you're lowering the overall expenses, so you're
13 actually improving your mortgage lendeer's
14 ability to pay when you do this.

15 And, number two, it's starting to
16 become a competitive market, so if you don't do
17 it, they might take their whole mortgage
18 somewhere else.

19 MR. HOFFMAN: I want to ask about the
20 risk, if any, to the City. On 51 you've got
21 some bullets. The first one gets to this point
22 slightly. Can you address that question,
23 Claire?

24 MS. TRAMM: Which one?

1 MR. HOFFMAN: The overall question as
2 to whether there's any risk to the City from our
3 approving this, and, if so, how would you define
4 that. On 51 you've got it cash flow neutral
5 says to City and County, does not impact credit
6 or balance sheet. I just wanted you to flush
7 that out a little bit.

8 MS. TRAMM: Absolutely. I guess I'll
9 go down to Page 51.

10 MR. HOFFMAN: Sorry to take you off
11 topic.

12 MS. TRAMM: So it is cash flow neutral
13 to the City and the County. It's essentially
14 just a pass through. They are acting as an
15 operational pass through. They have absolutely
16 no responsibility to pay these before the PACE
17 liens on any individual property owner's tax
18 bills if those property owners don't pay them.

19 You're simply assigning the
20 collected amount that's, you know, coming from a
21 specific property owner on a specific building
22 and passing that through to the financier with
23 whom, you know, we are negotiating the program
24 finances to come from. So they are just acting

1 as a conduit. It does not affect them. There's
2 no overhead costs. There's no bonds being
3 issued.

4 MR. HOFFMAN: No ultimate liability for
5 anything.

6 MS. TRAMM: No.

7 MR. HOFFMAN: I mean, when I'm
8 listening to this, right, my understanding of
9 PACE programs is that the answer to the question
10 is there isn't any.

11 MS. TRAMM: Yes.

12 MR. HOFFMAN: There's isn't a material
13 risk to the City. I wanted to ask that to
14 confirm that. And our role here, in a somewhat
15 similar fashion, is really as it seems like
16 facilitator.

17 MR. BEITLER: Program administrator.

18 MR. HOFFMAN: Another way of saying it.

19 MR. BEITLER: Yes.

20 MR. HOFFMAN: To both bring the City --
21 you know, take advantage of the City's ordinance
22 and bring the idea forward into something that's
23 concrete and then act as an administrator with
24 the selected administrators to move forward.

1 MS. TRAMM: Exactly.

2 MR. HOFFMAN: With that understanding,
3 it seems like a really good thing.

4 CHAIRMAN BELL: I think the only risk
5 would make the property tax billing system more
6 complex which is nothing I would think.

7 MR. HOFFMAN: For the property owners
8 who opt in.

9 CHAIRMAN BELL: Well, for the City,
10 County administrator that has to process the tax
11 papers.

12 MR. BEITLER: One of the things as part
13 of the program though is processing is actually
14 incorporated in the program so we absorb that
15 processing requirement.

16 MS. TRAMM: Again, I mean, it's
17 completely opt in, so if no one wants to use
18 this program for whatever reason, it just sits
19 there. It's not accruing any costs on our
20 behalf. We're enabling a capability that we
21 believe will help the private sector. In fact,
22 we've brought on a different group of
23 stakeholders to advise us as we shape this
24 program so that, you know, is most useable to

1 them.

2 MR. BEITLER: I think you should go
3 back to 49. We have covered everything else but
4 just 49.

5 MS. TRAMM: So 49 just shows that this
6 is actually a huge trend in the last two to
7 three years now nationwide, that commercial PACE
8 programs have really taken off and in particular
9 I think Connecticut has done a great job of
10 issuing about \$20 million last year in new PACE
11 projects, and the LA County PACE program also
12 did I think one of the largest projects,
13 \$7 million on a Hilton Hotel there, so this is
14 picking up steam. There's over 7200 --
15 \$72 million of deals that have been closed and
16 several hundred more million dollars in
17 pipeline.

18 It has been used -- on Page 50, it
19 has been used across a number of different types
20 of buildings and for mostly energy efficiency
21 upgrades, although also renewable energy, so
22 things like solar or geothermal can be funded
23 with this.

24 So back to 51, I think we sort of

1 talked about bullet one here, but the second two
2 are -- you know, what's cool about this is that
3 normally the property owners don't necessarily
4 want to spend additional money to upgrade a
5 building when their tenants see the energy
6 savings, and so this sort of resolves that lack
7 of incentive alignment by putting it in a part
8 of the capital structure for the building owner
9 that gets passed through back to the tenants, so
10 that's great.

11 And then, as I mentioned, the PACE
12 lien takes a senior position to the mortgage,
13 but we've -- we believe that this is not proven
14 now to be a huge barrier to the markets opening.

15 MR. HOFFMAN: I'm curious in these
16 other places around the country where there's a
17 PACE program, is there a Chicago Infrastructure
18 Trust equivalent or any other kind of
19 governmental or independent facilitator?

20 MS. TRAMM: Interestingly there is. It
21 comes in a variety of formats, but for
22 Connecticut it's the Connecticut Green Bank and
23 what's known as CEFIA, I forget what the exact
24 acronym stands for, but they have a bank that is

1 essentially offering the revolving loans and
2 providing a line of working capital to finance
3 construction, and then they go take it and
4 finance it and securitize it in a big portfolio
5 of PACE loans.

6 We won't provide that as far as our
7 program. We're doing things on a one off basis
8 and someone else will warehouse it. They
9 created the structure and they did the program
10 administration and hired on all of the various
11 players that would need to happen and sort of
12 manage the political process, they were
13 instrumental to that. So you see that across
14 the board. There has to be somebody moving it
15 forward.

16 So, Page 52, just a quick overview
17 of the segmentation about who we think it's
18 going to apply to. Both owner occupied and
19 leased on the left-hand side buildings we
20 believe this will benefit with the one caveat
21 that in leased buildings where it's basically
22 modified gross leases, where it's a specific
23 type of lease where there isn't that clear
24 energy savings alignment and the building owners

1 might not have an incentive right now to do
2 this, those are the ones where you need some
3 sort of energy aligned lease provision tacked on
4 to make this make sense, but most leases, triple
5 net or full service gross leases would already
6 be aligned incentive wise with this kind of a
7 program.

8 We also believe that it will apply
9 across the scale of Class A through Class D real
10 estate, and as we go down to some of the smaller
11 projects, the key things that we're going to
12 make sure we make -- we are thinking about as we
13 do program design are, number one, if you're
14 only doing a 5 or \$10,000 project that we make
15 sure that our chosen financiers can actually do
16 projects of that small size and that they are on
17 the hook not just for the big guys but also to
18 serve our small guys.

19 And then, secondly, with the smaller
20 folks that they understand, you know, totally
21 what they're getting into. So we're creating a
22 lot of marketing material that will apply, you
23 know, for decision makers of all these various
24 size entity.

1 The other thing that's interesting
2 is in the second couple columns, not for profit
3 and government, we found that the Port Authority
4 of Toledo, Ohio as well as some -- a few other
5 areas that have PACE programs have figured out a
6 way to essentially have an opt in property tax
7 that enables PACE to apply for not for profits
8 and government entities that aren't normally
9 property taxed, so we are trying to figure out
10 how we might copy what they did to enable a
11 broader array of entities to opt in to these
12 kind of assessments.

13 Then obviously we're avoiding right
14 now residential and that's due to the FHFA's
15 essentially rejection of the idea of having this
16 kind of lien trump residential mortgages which
17 have a different back end on the securitization
18 market.

19 CHAIRMAN BELL: Okay.

20 MS. TRAMM: Page 53 just shows people
21 are excited about this. There's huge projects
22 being done elsewhere, 7 million at the Hilton in
23 LA. I believe that's it for our main session.

24 CHAIRMAN BELL: You need a motion?

1 MR. BEITLER: So if you maybe, Claire,
2 if you would take this to the page that's
3 page --

4 MS. TRAMM: A motion to end or go to
5 the resolution?

6 MR. BEITLER: No. No. No. Page 65,
7 thank you.

8 MS. TRAMM: So this is the PACE
9 resolution which would authorize us to negotiate
10 and enter into contracts with a combination of
11 the respondents we have for different pieces of
12 the program.

13 MR. BEITLER: And to be clear here for
14 this particular procurement, most likely this
15 never ends, all right, so that as we go forward
16 with this program, we will constantly be
17 selecting contractors to enter into the program,
18 and we may ask some contractors to leave
19 depending upon performance.

20 CHAIRMAN BELL: Got it. Okay. Any
21 questions, comments for the group or can I get a
22 motion?

23 ALDERMAN POPE: Move do pass.

24 MS. FERGUSON: Second.

1 CHAIRMAN BELL: All in favor.

2 (A chorus of ayes.)

3 Okay. Great.

4 MR. HOFFMAN: I'm sorry to the Board
5 Members, I have to leave.

6 CHAIRMAN BELL: All right. I didn't
7 see Scott. Is he here?

8 MR. BEITLER: No, he's at a partner
9 meeting so Steve Butler is here as his stand in.

10 CHAIRMAN BELL: All right. So we need
11 to have public comment, is that the next thing?
12 So are there any public comments before we go
13 into our executive session?

14 MR. ARCHIE: Me again. I'm a bed
15 penny.

16 CHAIRMAN BELL: Okay. Could you
17 introduce yourself so that the stenographer can
18 get your name? Go up here.

19 MR. ARCHIE: I'm Mike Archie. I'm with
20 GTM Strategies is my own development company.
21 Two points. One that came up from earlier that
22 I didn't want to interrupt, but with CNG risk
23 profile, a couple things, comments that I have
24 from being in the market.

1 One, at a \$2 per GG fuel cost
2 productivity, are you ever considering the risk
3 that you're not moving fast enough? There's a
4 lot of fuel products going to be there.

5 As far at the commodity risk, LNG
6 Export, yeah, that's a long way away. Yes, it's
7 going to be opening up the global markets for
8 the pricing, but there are billion investments
9 and takes years to come online.

10 When you're talking about vehicles,
11 that comes right back to asset risk. The assets
12 are six to ten year replacement cycles. That's
13 a manageable asset risk.

14 Today's point on electrification and
15 technology, I see it as all of the above. It's
16 a portfolio and diversification. Each of the
17 power plants have their places depending on the
18 duty cycle. CNG is not -- if doesn't fit all,
19 but it does fit a certain amount of duty cycles.

20 And then, lastly, Chairman, you
21 asked about the conversion of fleet and the
22 investment. The City wouldn't have to invest
23 much cash flow. It can get structured so they
24 don't have to do that.

1 Lastly, I guess the most important
2 thing I want to bring up, and it's something
3 that I brought up last time, it's how to work
4 with the CIT, at least the staff.

5 I can see you guys have a role as
6 an overseer. Right now I see the staff or the
7 CIT more of as a competitor than a collaborator.
8 Do they have exclusive access to the City and
9 the City's assets and their infrastructure, and
10 have they been dubbed having that?

11 CHAIRMAN BELL: No. No. We don't have
12 exclusivity with the City.

13 MR. ARCHIE: Okay. Obviously it's
14 very -- it functions very well because now you
15 do have access to all of the different things.
16 It's more efficient that way.

17 CHAIRMAN BELL: Yeah, we have access to
18 more than we'd like. We really would like it to
19 be a little more streamlined.

20 MR. ARCHIE: My challenge and/or what
21 I'm trying to bring paradigm here is that there
22 are plenty of ideas. They nailed it with the
23 carrier, right? You got some good thinkers in
24 this room and they were able to take an idea and

1 make it better.

2 Will they be able to do that for
3 every situation? Are they subject matter
4 experts? Are they creative? Or how can the
5 outside community, entrepreneurs come in and
6 bring creative ideas that might be creative to
7 the staff, to you, to the City, but also allow
8 the entrepreneur to monetize that value?

9 Right now there's not a process in
10 place for us to participate and take advantage
11 and get value for our ideas, and that's
12 continuing -- we need to try to fix that.

13 CHAIRMAN BELL: You do have access to
14 Steve, and I hear what you're saying. You view
15 the Trust as somewhat of a competitor. We'll
16 just have to work through that, and I don't know
17 what that means, if we can in all cases, but
18 clearly, I mean, we're open to new ideas.

19 Now, if you want to get paid for
20 your idea, that's a different story, and I don't
21 know that we have that to be able to do that
22 yet.

23 And in terms of access to the City,
24 you know, there are representatives from the

1 City here that should give you their cards, and
2 I just don't know how that process works.

3 MR. ARCHIE: Yeah, neither do I.
4 That's why I'm getting clarification. Chairman,
5 I'm a capitalist. I'm here to make money. I'm
6 not going to give my ideas away because if I
7 give the ideas on an RFI, I give an idea and
8 then it gets RFP and somehow, some way I get
9 disenfranchised. I probably should keep the
10 ideas.

11 CHAIRMAN BELL: No, I hear you, but we
12 have to have an open process. It is what we've
13 documented on the website. Steve or the staff
14 can elaborate more on that. You just got to
15 decide.

16 MR. ARCHIE: Okay. I appreciate it. I
17 will tell you I have put FOIAs in and I've tried
18 to contact the staff, and I've not gotten
19 response. So that part of the process -- I know
20 it's a startup. There's no problem. There's
21 going to be things.

22 But again the exclusion of the
23 entrepreneurs and innovators that are out there,
24 hey, my ideas might be stupid and you might

1 never adopt them, I would at least like to get a
2 shot.

3 CHAIRMAN BELL: For the record, we
4 don't want to exclude entrepreneurs and thought
5 leaders. We do not want to do that. That's not
6 our goal.

7 You can limit us because you want to
8 be paid for your thoughts and ideas which we
9 don't have the capability to do, but we sure as
10 heck will listen to them. I just want you to be
11 clear on that for the record.

12 MR. ARCHIE: Okay.

13 CHAIRMAN BELL: Thank you for comments.

14 MR. ARCHIE: Thank you.

15 CHAIRMAN BELL: Any other comments?

16 (No response.)

17 All right. Steve, why don't you
18 walk us through the closure and cite what
19 article that puts us into executive session?

20 MR. BUTLER: Absolutely. My name is
21 Steve Butler. I'm from Kirkland & Ellis. I do
22 work for the Trust.

23 So Section 2(c)(7) of the Illinois
24 Open Meetings Acts states that a public meeting

1 or a public body may hold closed meetings to
2 consider items such as the sale or purchase of
3 securities, investments or investment contracts.

4 The remainder of today's meeting
5 involves confidential procurement and investment
6 matters that fall within that exception, so we
7 have the authorization to convene a closed
8 meeting at this point.

9 CHAIRMAN BELL: Okay. So can I have a
10 motion to close the open meeting?

11 MR. RAMIREZ: We have to move pursuant
12 to that specific section that you read out.

13 MR. BUTLER: Pursuant to
14 Section 2(c)(7) of the Illinois Open Meetings
15 Act.

16 CHAIRMAN BELL: Did you remember that?

17 MR. RAMIREZ: But it has to be -- we
18 have to say it specifically so yeah. Okay.

19 CHAIRMAN BELL: Do I have a motion?

20 MS. FERGUSON: So moved.

21 CHAIRMAN BELL: Second?

22 ALDERMAN POPE: Seconded.

23 CHAIRMAN BELL: Okay. The public
24 version of this meeting is ended, and we will go

1 into executive session. So if we can have the
2 room cleared, except for those staff that Steve
3 needs. You should tell us who we need to have
4 here.

5 MR. BEITLER: Anybody who's not Trust
6 staff should depart.

7 (WHEREUPON, proceedings were had
8 which were transcribed under
9 separate cover.)

10 CHAIRMAN BELL: Now we are back in open
11 session. Any other new business we should talk
12 about? Any other comments?

13 (No response.)

14 Hey, great job, team. I mean,
15 really on the briefings and on the data, you
16 guys provided, both of you. Those are pretty
17 complex projects and I think you really provided
18 some clarity.

19 MR. RAMIREZ: Best skilled part-time
20 work force there is.

21 CHAIRMAN BELL: Anyway, I think we have
22 the next meeting on the calendar.

23 MR. BEITLER: Yes, sir.

24 CHAIRMAN BELL: You were going to get

1 something out because you thought you might need
2 some in the interim.

3 MR. BEITLER: Well, we're going to send
4 out a request for scheduling for the upcoming
5 year.

6 CHAIRMAN BELL: Okay. So you think you
7 have enough scheduled meetings for now? You're
8 in good shape?

9 MR. BEITLER: We're in good shape.

10 CHAIRMAN BELL: Okay. If there is
11 nothing else, then I would say this meeting is
12 adjourned.

13 (Which were all the proceedings
14 had in the above-entitled
15 cause.)

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1 STATE OF ILLINOIS)
) SS:
2 COUNTY OF COOK)

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4 I, MARI BETH KAWULIA, a Certified
5 Shorthand Reporter of the State of Illinois, do
6 hereby certify that I reported in shorthand the
7 proceedings had at the meeting aforesaid, and
8 that the foregoing is a true, complete and
9 correct transcript of the proceedings of said
10 meeting as appears from my stenographic notes so
11 taken and transcribed under my personal
12 direction.

13 IN WITNESS WHEREOF, I do hereunto
14 set my hand at Chicago, Illinois, this 19th day
15 of August, 2014.

16

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Mari Beth Kawulia

MARI BETH KAWULIA
C.S.R. No. 084-2873



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