

1 CHICAGO INFRASTRUCTURE TRUST
2 BOARD MEETING
3 CITY OF CHICAGO
4

5 BOARD MEMBERS:

6 MR. JAMES BELL, Chairman
(Appeared telephonically)

7 ALDERMAN JOHN POPE

MS. DIANA FERGUSON

8 MR. JORGE RAMIREZ
9

10 ADVISORY BOARD MEMBERS:

ALDERMAN LATASHA THOMAS

11 MR. DAMON SILVERS

TREASURER STEPHANIE NEELY

12 MS. MARY SUE BARRETT
13

14 CHIEF EXECUTIVE OFFICER:

MR. STEPHEN BEITLER

15
16 DIRECTOR, ENERGY PROGRAM

17 MS. CLAIRE TRAMM
18
19
20

21 February 24, 2014
22 10:00 o'clock a.m.
Metropolitan Planning Council
140 South Dearborn
23 Suite 1400
Chicago, Illinois

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1 ALDERMAN POPE: Good morning, everyone.
2 It's a little bit after 10:00, 10:06, and we're
3 going to call the Infrastructure meeting to
4 order.

5 Present today, we have on the phone
6 with us James Bell. James, can you hear us?

7 CHAIRMAN BELL: I can hear you fine.

8 ALDERMAN POPE: James is communicating
9 with us --

10 CHAIRMAN BELL: Can you hear me okay?

11 ALDERMAN POPE: Yes, we can, sir.

12 Present today are Jorge Ramirez,
13 Diana Ferguson and John Pope. The first agenda
14 item is the call to order.

15 Moving on to Item No. 2,
16 organizational matters. The first item there
17 is the approval of the November 6th and
18 November 12th, 2013 minutes.

19 Has the Board had a chance to review
20 the minutes? Any questions?

21 (No response.)

22 Do I have a motion to approve the
23 minutes?

MS. FERGUSON: Move approval.

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1 MR. RAMIREZ: Second.

2 ALDERMAN POPE: Moved and seconded.

3 All in favor?

4 (A chorus of ayes.)

5 Opposed?

6 (No response.)

7 The ayes have it.

8 Moving onto Item B is the
9 contracting manual.

10 MR. BEITLER: So for the contracting
11 manual, basically, as we've mentioned
12 previously, it's a living document. We will
13 probably come to the Board most every session
14 with some improvements.

15 In this particular case, we are
16 looking to improve how we deal with unsolicited
17 proposals much more effectively, and in
18 particular there were some things that were
19 missing, such as the need to protect proprietary
20 information that were omitted from the previous
21 version of the contracting manual. That's
22 probably the major item in the unsolicited
23 proposal section.

So we ask that the Board of the

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1 Trust approve the new version of the contracting
2 manual.

3 MR. RAMIREZ: Motion.

4 MS. FERGUSON: Second.

5 ALDERMAN POPE: Motion made and
6 seconded. All in favor?

7 (A chorus of ayes.)

8 Opposed?

9 (No response.)

10 The ayes have it.

11 The next item is the resolution for
12 the audit RFP.

13 MR. BEITLER: So with the assistance
14 or the direction of our outside accounting firm
15 and our legal team, we have drafted an audit
16 RFP, and this is the resolution to proceed with
17 the audit RFP to select an auditor so that we
18 can proceed with the annual audit.

19 While there's no requirement, we
20 will also do an audit of the stub year from the
21 beginning of the Trust to just dot all the I's
22 and cross all the T's.

23 ALDERMAN POPE: And, Steve, any idea
what the timing of that would be?

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1 MR. BEITLER: We will -- If the Board
2 approves the RFP proposal, we will issue it
3 immediately, and with a couple of week
4 turnaround.

5 MS. FERGUSON: How many firms do you
6 anticipate sending it out to?

7 MR. BEITLER: Well, probably at least a
8 dozen firms that we anticipate sending it to.
9 We're trying to send it to firms that are MBE,
10 WBE, DBE, et cetera.

11 MR. RAMIREZ: Local?

12 MR. BEITLER: I'm sorry?

13 MR. RAMIREZ: Most of them are local?

14 MR. BEITLER: We're not -- I mean,
15 there could be a national firm that I suppose
16 gets it, but we're focusing on local firms.

17 TREASURER NEELY: Why wouldn't we just
18 post it on the website? Why send it out to a
19 select few?

20 MR. BEITLER: Well, we are posting it
21 on the website, so that is our main methodology,
22 but if somebody brings a name to the Trust and
23 says this is somebody that ought to respond to
this, we just want to make sure that they see

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1 it.

2 MS. FERGUSON: And is Washington
3 Pittman & McKeever exempted from participating
4 or are they going to --

5 MR. BEITLER: They cannot participate
6 because they're our accountant.

7 MS. FERGUSON: Thank you.

8 MR. RAMIREZ: Is anyone willing to do
9 it for free, do we know?

10 MR. BEITLER: You know, I think that
11 there's actually -- I think there's an issue
12 with asking a firm to do your audit for free
13 because of the conflict that's associated.
14 There may be others who have a different view of
15 that, but my view is it creates a conflict that
16 we don't want to have.

17 MR. RAMIREZ: Motion.

18 MS. FERGUSON: Second.

19 ALDERMAN POPE: Before we move on that,
20 make sure that everyone speaks into the
21 microphone so the court report can properly
22 document.

23 So there has been a motion and
seconded. All in favor?

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1 (A chorus of ayes.)

2 Opposed?

3 (No response.)

4 Once again the ayes have it.

5 The final item under the
6 organizational matters is the budget.

7 MR. BEITLER: We are going to ask
8 Vivian Funches from Washington Pittman &
9 McKeever to come to the podium to discuss budget
10 matters.

11 This is really information only.
12 There is no budget item to approve today. It's
13 just sort of where are we at the moment.

14 MS. FUNCHES: Good morning. The first
15 statement is the statement of financial
16 position, and this is December the 31st, 2013.
17 Our total assets which consists of cash of
18 \$32,335, grants receivable of 57,760 and prepaid
19 expenses of 1,525 with a total assets of
20 \$91,620, with current liabilities of 91,620,
21 and our total liabilities and net assets is
22 91,620.

23 Unaudited numbers for the statement
of activities budget versus actual. Our actual

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1 revenue is 503,748 compared to budget of
2 835,397, which is a favorable budget of 331,649.

3 The annual budget was 1.4 million
4 and we're forecasting our total income for the
5 first quarter of 337,869. Total expenses actual
6 was 503,748 with a balance of zero. No excess
7 revenue, no expenses over income.

8 So the total budget, expenses were
9 835,397, and our expenses were under budget by
10 331,649. Favorable budget. The annual budget
11 was 1.4, and our forecast expenses are 337,869.

12 Again, these are unaudited numbers
13 and we expect to have the audit completed by mid
14 May. Any questions?

15 (No response.)

16 ALDERMAN POPE: Any questions by the
17 Board or Advisory Members?

18 (No response.)

19 If not, can I have a motion to
20 approve the budget? It's not even a matter.
21 I'm sorry.

22 So we'll move onto the next item,
23 the Retrofit update. Steve?

MR. BEITLER: So before we launch into

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1 the Retrofit update, I want to call your
2 attention to this slide, and I think that the
3 main point of this slide is that the Trust has
4 actually begun to attract projects from outside
5 investors.

6 I think that the reason, one in
7 particular, that we're doing that is because of
8 the unsolicited proposal process. I'm not going
9 to go through these projects because we'll be
10 discussing them at length with the individuals
11 who are working on them, but I think that it's
12 just very important to note that the initiatives
13 that we're beginning to see are as a direct
14 result of creating processes that are beginning
15 to attract private sector investors, and it's a
16 nice feeling to begin to have that occur.

17 So with that, the first program that
18 we'll delve into is Municipal Retrofit. I'll
19 ask Clair Tramm to come up and discuss that with
20 us.

21 I do want to make one point before
22 Claire takes the podium, which is that the only
23 change from a material standpoint in this
program since we've been talking about it and

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1 passed the resolutions is that the size of the
2 program has decreased.

3 Claire will go into that, but as the
4 size is decreased, it is still within the
5 constraints of the resolution that the Board
6 passed.

7 MS. TRAMM: Thanks, Steve.

8 So I think we've seen slide 11
9 before. It's just an overall profile of the
10 Retrofit 1 project.

11 I think slide 12 goes into a little
12 bit more depth on the actual details of the
13 final transaction. So as you reviewed in
14 November, selected an efficiency services
15 agreement and that was approved by City Council
16 in January.

17 This involves an off credit, off
18 balance sheet financing for the City by
19 structuring the agreement in a way where the
20 Trust is both taking an ESCO guarantee for the
21 savings as well as letting the City pay per
22 units of energy saved.

23 The final scope of the deal was 60
buildings, 18 percent reduction in energy use in

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1 these buildings, 36 wards, 108 jobs and a
2 savings of \$1.5 million annually to pay for that
3 1.2 upfront million project cost.

4 We did close it at a 4.95 percent
5 interest rate. We're finalizing that
6 transaction right now and expect to have the
7 actual work begun by the end of March.

8 We were able to do it with a
9 15-year contract, and so that is one of the
10 reasons, in addition to the slightly higher
11 interest rate due to the City's credit rating
12 downgrade that we did have to shrink the size of
13 the project.

14 So on Page --

15 TREASURER NEELY: Can I ask a question?

16 MS. TRAMM: Go ahead.

17 TREASURER NEELY: Do you have a
18 comparable municipal rate for a 15-year bond
19 which is comparable to the City's rating to
20 compare this 4.95 percentages rate to?

21 MS. TRAMM: The independent transaction
22 reviewer noted that this was only 20 basis
23 points above what the City's bonds were
currently trading at. I think it was Phoenix

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1 Capital Partners in December wrote that
2 independent review of the transaction.

3 MR. RAMIREZ: But it's locked. We're
4 going to get into that. It's locked in the
5 future, the potential downgrades and we're good
6 to go.

7 MS. TRAMM: There are no potential
8 changes for that rate. Obviously we're most
9 concerned about that.

10 MR. RAMIREZ: Maybe I am moving ahead a
11 little bit, but the next slide should have been
12 before this one because I think it does a great
13 job of syncing up the timeline.

14 MS. TRAMM: So the next two slides
15 speak to the timeline and we're hoping to have
16 it completed, again as I said, you know, mid
17 March.

18 And, you know, 13 I think is a good
19 overview of how far we've come and really what
20 all the steps have been in closing our very
21 first deal for the Trust.

22 If there's no questions on Page 13,
23 I'll move to Page 14. Go ahead, Damon.

MR. SILVERS: This is Damon Silvers

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1 from the Advisory Board.

2 I just had a question about the
3 summary of the deal here before we move onto the
4 extensive timeline.

5 MS. TRAMM: Absolutely.

6 MR. SILVERS: Well, two things. I want
7 to just commend you all on the basic financing.
8 It's a very good deal.

9 And, secondly, I had a question.
10 You know, one hears a lot of different estimates
11 about what level of energy savings is possible
12 in retrofits like this, and I wondered if you
13 can give us any background on the 18 percent
14 number.

15 MS. TRAMM: So that's a really good
16 question. In projects like this, it's
17 completely depending actually on the financing
18 you can get, so there's a delicate balance
19 between, you know, the energy economics, the
20 underlying economics in the building and, you
21 know, what kind of capital you can get, how long
22 the capital is for.

23 So we ended up getting 15-year money
which really is 14-year because you have

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1 construction period and, you know, it's at
2 almost 5 percent rate. So that is really what
3 determines how deep we can dig in each building.

4 If we had say 50-year capital, maybe
5 we could make the things that had 40-year
6 paybacks but really had another 10 percent
7 savings work, so really that number is -- it's
8 completely, you know, a general equilibrium
9 number with the underlying energy economics
10 actually.

11 MR. RAMIREZ: I only had one other
12 followup question. I didn't see it in here, but
13 I know I've seen it before about the number of
14 jobs that are created and things like that. I
15 don't know if you have any --

16 MS. TRAMM: Page 12, we calculated it
17 will create at least a hundred jobs, 108 was I
18 believe not, you know, a multiplier about nine
19 per million spent which is very conservative
20 frankly, and I actually advocated for a higher
21 number, but I think we all agree that this was
22 the minimum number we could all agree on based
23 on the best research available.

MR. RAMIREZ: Okay. Great.

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1 MS. TRAMM: If there are no further
2 questions on 12, I think I'll skip 13 because
3 we've already sort of addressed the timeline and
4 where we've come and how far we have come
5 frankly in the last year.

6 14, just to recount, so how did we
7 get from an announced hundred million dollar
8 deal down to a 12 or 13 million dollar deal?

9 Before the CIT was involved, the
10 second bullet is that it was reduced
11 essentially to 76 million which consisted of 37
12 million for Department of Water Management's
13 project which was then put on hold due to the
14 lien structure.

15 They have a number, six to seven
16 revenue bonds, that create quite a set of
17 encumbrances on that property, and so it makes
18 it difficult for us at this time until some of
19 those bonds come due in the next year or two for
20 us to finance it the way we'd like.

21 Secondly, that 76 million consisted
22 of about 11.4 million of Chicago Public School's
23 lighting financing which we did not end up
recommending be financed through an efficiency

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1 service agreement. It got financed I believe
2 through a lease which did not require the
3 Trust's involvement, although we did connect
4 them with that financing and handle that, so
5 they were very grateful for that.

6 15.3 million of the 27.5 million 2FM
7 project which we have actually focused on could
8 not be financed at that interest rate over a
9 14-year period.

10 So to Damon's point earlier, this is
11 exactly the kind of general equilibrium that you
12 have to balance, you know, when you're doing off
13 credit, off balance sheet financing. You just
14 can't finance everything you'd love to do. It
15 has to pay for itself within the term of the
16 financing that you're offered. So we've ended
17 up with the 12.2 million project that's in
18 progress now.

19 Page 15 just shows you the calendar
20 looking forward. Again we're finalizing the
21 documents, and I think we've made tremendous
22 progress in the last month or so since the City
23 Council approved the deal, and we expect that
we'll be able to close the transaction the week

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1 of March 10th and actually hit the ground
2 running March 24th. We're very excited with
3 that.

4 So Page 16 just shows how the Trust
5 will play a role and all the other key parties
6 involved will play a role post transaction
7 close.

8 So the ESCOs, Schneider Electric,
9 Ameresco and NORESCO play support and primary
10 roles. PBC, as you can see, has been contracted
11 by the Trust to essentially be the project
12 manager and the construction manager for the
13 project and was selected also by 2FM to do that.
14 That's their traditional role.

15 They will play just a role during
16 the construction period. After that it becomes
17 a transaction that's entirely done through the
18 ESCO, 2FM and Trust relationships, which you see
19 sort of at the bottom of the right column.

20 So are there any further questions
21 on Retrofit 1 before I move to the next project?
22 Sue?

23 MS. BARRETT: Quick question. Mary Sue
Barrett on the Advisory Board.

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1 Quick question about this
2 relationship you just referred to with the
3 Public Building Commission. Is that a fairly
4 typical, as you look forward, delineation of
5 responsibilities or deployment of the Public
6 Building Commission?

7 MS. TRAMM: In this case 2FM lacks its
8 own internal capabilities to oversee
9 construction projects. They are able, once the
10 construction is finished, to oversee the ongoing
11 operations and maintenance, but they don't have
12 the internal capacity to oversee or manage the
13 construction.

14 And so when we serve 2FM in the
15 future, we believe that this will be the
16 status -- you know, the status quo and expected
17 way of doing projects with them. That may not
18 be the case for other sister agencies. We'll
19 have to take each one as it comes.

20 MS. BARRETT: Thank you.

21 MR. BEITLER: Thanks, Claire.

22 We just wanted you to see what some
23 of the other potential projects are that will be
coming up in terms of retrofit, and among those

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1 is street lighting, and Claire will also be
2 addressing the street lighting project.

3 MS. TRAMM: Thanks.

4 So the first candidate project for
5 Retrofit 2.0 is the street light upgrade for the
6 city which we are proposing to issue very
7 shortly an RFI for, request for information, in
8 order to get back responses about what's
9 possible for the market.

10 The reason we're suggesting we go to
11 an RFI rather than an RFP at this point is
12 because we've -- if you look at Page 19, there
13 are a number of really interesting things that
14 streetlights can be used for as a platform
15 beyond just the energy savings that can pay for
16 the capital upgrades themselves.

17 There have been cost effective
18 energy savings upgrade in D.C., New York, L.A.
19 and a number of other cities around the world,
20 however, the platform area is a very innovative
21 and new thing that we need to -- we don't
22 necessarily know exactly who will respond and
23 what they will come back with, and so that's why
we're taking the time to do an RFP with this

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1 proposal or RFI with this proposal rather than
2 immediately scoping exactly what we want. We
3 would like to hear from the community in terms
4 of what else can be done.

5 So, for instance, if you look at
6 some of these platform opportunities,
7 communication, big data, connectivity like Wi-Fi
8 hot spots, traffic and savings management,
9 there's things that can tie into our safety and
10 police system, public safety system, car
11 charging. So, for instance, we've seen some
12 ideas around solar and video and things like
13 that.

14 So we'd like to evaluate all these
15 with all the relevant stakeholders and we just
16 had a kick off last week with the City at the
17 highest levels to discuss that and form a
18 working group to move that forward.

19 I think Page 20 does a good job of
20 just reviewing some of the opportunities around
21 the energy savings side which is what we expect
22 to drive the majority of the economics around
23 this, and we'll certainly be keeping our eyes
and ears open to respond as to the RFI that have

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1 good ideas that are revenue neutral in
2 particular on the platform side.

3 But I happen to know from talking to
4 some of the other -- the folks that ran some of
5 those other LED street light conversions that
6 they had huge savings, sometimes in the 70
7 percent range, 80 percent on maintenance, and so
8 you're typically seeing about 10X of upfront
9 cost of an LED bulb, but it gets replaced a
10 third as often and saves you a ton of energy.

11 So the economics are going to be
12 very, very interesting here, and we look forward
13 to getting back some responses on this.

14 ALDERMAN POPE: A question or two.

15 First of all, I'm glad we are
16 pursuing this. This is one of the initial
17 topics or items we discussed early on in terms
18 of pursuing because there's a potential for
19 great return.

20 But clarification, when you talk
21 about lights, you're not just talking about the
22 fixtures, you're talking about the pole, the
23 base, the structure itself?

MS. TRAMM: Indeed, yes. So we're

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1 going to get -- basically try and get the energy
2 savings and the operations and maintenance
3 savings to pay for as much of that overall
4 replacement to the base, the wiring, et cetera,
5 as we possibly can.

6 MR. BEITLER: I think though before you
7 ask your next question, if you don't mind, we
8 have to be very clear in that we're not clear
9 yet how much work from an infrastructure
10 standpoint needs to be done on these lights.

11 There are some lights in some areas
12 where there may be extensive rewiring required,
13 for example, and so from an ROI standpoint, one
14 the reasons we're interested in streetlights as
15 a platform, aside from just the obvious
16 effectiveness of it, is that some of things that
17 we can utilize when we consider the streetlights
18 as a platform might generate revenue which, in
19 turn, pays for some of the infrastructure
20 upgrade that simply replacing the light bulbs
21 themselves would otherwise not sustain.

22 So it's a fairly complex formula in
23 term of being able -- the answer to your
question is yes, but in order to do that,

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1 there's a fairly complex set of formulas there.

2 ALDERMAN POPE: On Page 18, the CITs,
3 you mentioned the BOM, the build operate manage,
4 can you clarify that or provide more
5 information, please?

6 MS. TRAMM: Yeah. So the build operate
7 manage contracting methodology allows us to let
8 people propose to come back with both the design
9 and structure of it as well as the operations
10 and management of say replacing the light
11 bulbs.

12 So, you know, what we're talking
13 about is figuring out how to make that work with
14 the City's already strapped labor resources
15 because there's a lot of better things we can be
16 doing with our laborer's time and there's a lot
17 of savings just on the truck rolling, so paying
18 for the truck rolling costs as well as the light
19 bulb replacement.

20 MR. BEITLER: And again the City is
21 actually already following that routine for
22 other lighting, and this is just an extension of
23 how they're treating lighting at the moment.

ALDERMAN POPE: Thank you.

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1 ALDERMAN THOMAS: Are you on Page 21
2 yet?

3 MS. TRAMM: I can be, yes. Let's look
4 at the timeline, everyone.

5 ALDERMAN THOMAS: Maybe go through the
6 timeline before I ask you some questions on
7 that.

8 MS. TRAMM: Sure. Absolutely.

9 So Page 21 just shows we've done a
10 lot of pre work on this here today. We're
11 hoping to issue an RFI by early to mid March, as
12 soon as we're able to just finish quantifying
13 the current state of the City and the Chicago
14 Park District lighting systems so that people
15 can intelligently respond within the RFI to what
16 we currently have.

17 And then later, after we've had a
18 chance to review to over -- at least 30 days,
19 what we'll do is post it on the website and let
20 folks respond, you know, as they will, and then
21 after 30 days we'll close that request for
22 information, we'll review all -- we'll take
23 several weeks to review all that in concert with
the City and the Park District, and then we'll

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1 come up with an RFP based on what we think is
2 actually going to be -- the economics we'll work
3 on.

4 So we're taking a funneling approach
5 from the RFI to the RFP which hopefully will be
6 issued in early May.

7 ALDERMAN THOMAS: Okay. Alderman
8 Latasha Thomas, Advisory Council.

9 My question is actually on things
10 that appear to have been done already. So the
11 automatic briefing and the briefings you've had
12 with the Mayor's Office staff was just general
13 because this was only a thought?

14 MS. TRAMM: Right.

15 ALDERMAN THOMAS: Now it seems to be
16 really in progress but the -- just clarify for
17 me what those briefings were because I don't
18 remember the in depth that we're having now.

19 MR. BEITLER: They were general
20 briefings. They were not specific briefings
21 about this particular project. This project was
22 included in those briefings, but there was
23 nothing in depth about this project in those
 presentations.

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1 ALDERMAN THOMAS: Before today it was
2 just an idea? It was like an idea, correct?

3 MR. BEITLER: That's correct. We have
4 had one significant meeting with the City staff
5 in terms of -- which actually occurred this past
6 week in terms of beginning this project, and
7 there were some actions that we were waiting for
8 in order to have that meeting.

9 So there was some audits being
10 conducted of the street lighting itself, and a
11 great deal of that work is now completed and
12 able to be parsed to be able to use on an
13 analytical basis which up to now we didn't have
14 that information.

15 So this particular schedule is
16 probably a tad too aggressive in terms of
17 getting everything done, but nonetheless we are
18 trying to get an RFI completed and issued in as
19 aggressive a timeline as possible.

20 TREASURER NEELY: Treasurer Stephanie
21 Neely, Advisory Council.

22 CHAIRMAN BELL: I think this is missing
23 a critical point. I don't see this thing coming
back to the Trust Board for approval once you

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1 have some information around what we've dealing
2 with.

3 MR. BEITLER: There's nothing to
4 approve at the moment. We need to gather a
5 significant amount of information in order to
6 structure --

7 CHAIRMAN BELL: Well, I understand
8 that.

9 MR. BEITLER: Okay.

10 CHAIRMAN BELL: But you got a time
11 schedule here that shows this, and I don't see a
12 time table on here to bring it back to the Trust
13 for approval of the deal.

14 MS. TRAMM: I think that April meeting
15 would be our goal to come back and review the
16 results of the RFI and then proceed ahead with
17 the RFI after that board meeting.

18 TREASURER NEELY: Okay. Well --

19 CHAIRMAN BELL: You're going to have to
20 have our approval before you go back to issue an
21 RFP, that's my point. Where is that in the time
22 frame?

23 MR. BEITLER: That would be at the
Board -- presumably at the Board meeting in

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1 April, that would be the time point if that's
2 not too aggressive a schedule, which it might
3 be.

4 CHAIRMAN BELL: Well, I think you need
5 to put that on the time table.

6 MS. TRAMM: Will do. Thank you.

7 CHAIRMAN BELL: That's a critical step.

8 MR. BEITLER: We'll do that.

9 TREASURER NEELY: And maybe my question
10 should be asked at the April meeting because I'm
11 not following the deal exactly. If you're
12 telling me a million dollars of savings are
13 going to go to replacing, then I'm trying to
14 figure out where the economics is in the deal.

15 MR. BEITLER: I agree. I mean, I think
16 that we should wait. There's no economics.
17 There's no deal at this point. Generally in
18 other cities, what we do know from studying the
19 other cities, and we've studied a number of them
20 at this point, is that the replacement of
21 existing light bulbs with LEDs has generated
22 adequate economics to recommend going forward
23 with the replacement of the bulbs.

In most other analog situations, the

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1 only thing they've done is to replace the bulbs,
2 so we don't really have an analog in terms of
3 what happens if you're using it as a platform or
4 if you have to do significant infrastructure
5 work so there's a lot --

6 TREASURER NEELY: I'll wait -- As the
7 Chairman said, we'll wait for the April meeting
8 to get a better sense of the deal.

9 CHAIRMAN BELL: I just think the key
10 point is we don't know that we have a deal.
11 This is well beyond the timeline to find out
12 what the possibilities are, to package that and
13 bring it back to the Board and see if, in fact,
14 there are economics that would support going
15 forward with a deal.

16 MR. SILVERS: This is Damon Silvers
17 from the Advisory Board.

18 In this vein, not making a comment
19 on what's been doing so far but really just
20 observing some issue that you all will face as
21 you move forward with this, it seems to me,
22 again upon very brief review of this, that the
23 basic model that you've looked at in other
 cities appears to be not that -- in certain

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1 respects not that different from say the
2 retrofit project that we're already moving ahead
3 on, meaning that you basically swap out some
4 technology, you have a cost savings associated
5 with that which can be -- through creative
6 structuring can be used to finance the swap,
7 pretty simple, and relatively -- without that
8 many challenges in terms of thinking about
9 operations and public/private issues and the
10 like.

11 I think when you move to what in
12 many respects looks like a very promising idea
13 of turning streetlights into something far more
14 multidimensional that then you're going to be
15 into a different space in a lot of ways, I think
16 some of them having to do with issues of
17 financing and control, and some of them having
18 to do with, you know, which of these purposes is
19 the public going to want and where will people
20 have concerns and the like.

21 I would observe that I think it's
22 critical as you do that to envision a -- that as
23 you move ahead in that direction, and I think
it's a good idea to do so, that you look at how

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1 to ensure that ultimate control here continues
2 to reside with the public body.

3 That issue is going to come up
4 here in a much more serious way when you move to
5 this multifunctional platform than it does in
6 just a the question of swapping out the light
7 bulbs.

8 MR. BEITLER: We understand and
9 actually we're not envisioning that control
10 would go some place else, but there's an awful
11 lot of research to do right now to just even be
12 able to make any kind of recommendations, so
13 we're just at an information gathering stage.

14 MR. SILVERS: And I want to be clear, I
15 understand that. You know, I think you all
16 ought to -- I think it's a very good idea in
17 general concept and ought to be explored.

18 MS. TRAMM: Thank you.

19 MR. BEITLER: Thanks, Claire.

20 So this takes us to transportation
21 program initiatives, and the initiative that
22 we'll be discussing today, and Nick Epstein and
23 Chris Kane will take us through this portion of
the presentation is on compressed natural gas.

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1 MR. EPSTEIN: Hello. So we've been
2 working for the last several months on
3 developing a plan to help enable the -- to build
4 out compressed natural gas fueling
5 infrastructure.

6 The reason why we're interested in
7 compressed natural gas, I'll skip ahead here,
8 compressed natural gas is the most price stable,
9 lowest cost transportation fuel currently
10 available. It's about 40 percent cheaper than
11 gasoline on diesel and diesel on a gallon of
12 gasoline equivalent unit. So for every mile
13 that you're transporting goods, every mile that
14 you're transporting people, you're saving
15 40 percent on the fuel costs.

16 It also has the largest potential of
17 displacing foreign petroleum use relative to bio
18 diesel propane as well. And it has, compared to
19 all other alternative fuel, you see the highest
20 demand growth for CNG.

21 Despite all these positive trend
22 lines, the growth of CNG fueling stations where
23 fleets and the public can go and fuel their
vehicles has been stagnant for the better part

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1 of 20 years.

2 And just to review, CNG, it's
3 natural gas that goes through your house and
4 heats your house, and it goes through a special
5 compression process which allows it to be
6 utilized as a transportation fuel for vehicles
7 that have been equipped with on board
8 compressors, and hence then you can use it, you
9 know, as you could any other sort of
10 transportation fuel.

11 We think that again because it's so
12 much cheaper, it's a domestically produced fuel,
13 and there are, we think, strong environmental
14 benefits in terms of tail pipe pollutant
15 emissions as well as moderate greenhouse gas
16 emission reductions compared to gasoline and
17 diesel.

18 But the large issue here and why,
19 you know, we think that there's a place in the
20 Trust to get involved in this field is that
21 there's what we call a network externality or a
22 chicken and the egg problem basically.

23 You have CNG fueling providers who
want to build stations, they want to invest

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1 their money, but they won't take that risk
2 because there isn't enough fuel demand. There
3 aren't enough end users who have CNG vehicles or
4 NGV to purchase the fuel, and you have end
5 users, companies with large vehicle fleets that
6 would be interested in pursuing this and getting
7 the cost savings on the fuel, but they won't
8 take that risk because there aren't a network of
9 stations built along their fueling routes.

10 So this program is still very much
11 under development, but we are identifying all of
12 the barriers in the City of Chicago to getting
13 these stations built.

14 We think there are basically three
15 main components, a real estate component where
16 we would provide streamline service to help get
17 these stations built in terms of zoning and
18 permitting, the current process is very
19 cumbersome; a stakeholder and outreach service
20 where we would gather together fueling providers
21 and potential end users and try to get stations
22 built along fueling routes for these companies
23 in exchange for potential fueling contracts; and
then as well, the most developed component at

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1 this point is a financial model that we've
2 developed for the City of Chicago fleet where
3 they could potentially convert a number of their
4 vehicles to use natural gas as sort of the first
5 mover in this project. Chris has been working
6 on the financial model for sometime.

7 TREASURER NEELY: Just a really quick
8 question. This is Treasurer Stephanie Neely
9 again.

10 MR. EPSTEIN: Sure.

11 TREASURER NEELY: Is there a forward
12 contract part of this at all in terms of locking
13 in natural gas prices versus or is this too
14 early to even discuss?

15 MR. EPSTEIN: I mean, it's too early to
16 discuss, but within the CNG world, a fueling
17 provider and potential end user, you can
18 structure the contracts that way where you would
19 get a guaranteed price over a number of years
20 provided that you're purchasing a certain amount
21 of CNG fuel, so it's all on the table.

22 MR. SILVERS: As the Treasurer said --
23 I'm Damon Silvers with the Advisory Board.

TREASURER NEELY: Still.

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1 MR. SILVERS: Still.

2 There's a particular issue here that
3 you all may be aware of, but I want to make sure
4 you are which is the question of whether the
5 trend line of natural gas pricing is going to
6 remain stable as natural gas prices globalize.

7 There's a very -- I mean, it's
8 unclear how much this will happen, but there's a
9 pretty serious effort underway to export from
10 the United States, and I don't think anybody
11 really knows where that leads in terms of
12 pricing, so the kind of contract that the
13 Treasurer was referring to might be very useful
14 in this environment.

15 MR. EPSTEIN: Again we've spoken to
16 some of the largest CNG fueling providers, and
17 we've discussed this point, you know, would it
18 be possible to structure contracts where you're
19 guaranteed, you know, a price years into the
20 future, and, you know, they're very flexible.
21 It's a common method that they use for their
22 current clients with private municipal fleets.

23 TREASURER NEELY: There are clearly
four contracts out there. The question is

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1 what's the price. There's a cost associated.

2 That has to be part of the economics.

3 MR. EPSTEIN: Right.

4 TREASURER NEELY: It's probably
5 premature.

6 MR. EPSTEIN: Yes.

7 MR. BEITLER: And, in fact, as we get
8 into the economic analysis, even though we don't
9 specifically answer that question, we get a
10 sense of some of the economics that we've delved
11 into at this point.

12 MR. KANE: Good morning. In terms of
13 how I helped Nick with his analysis is
14 essentially at a number of vehicles that the
15 City currently operates.

16 Specifically we looked at a number
17 of vehicles that the City already operates in
18 which I would call the general purpose fleet,
19 and then there was actually the police pursuit
20 cruiser fleet, and we identified just under
21 4,000 vehicles, and we did our best to run it
22 through the traps.

23 We feel that by making three changes
to acquisitions, fueling and a little bit of the

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1 maintenance provisions that the City already
2 does --

3 TREASURER NEELY: There's no fire
4 equipment into that analysis at all?

5 MR. BEITLER: Well, as we were doing
6 the analysis, we tried --

7 TREASURER NEELY: Those are our most
8 expensive vehicles to run are our fire vehicles,
9 so I'm just curious as to why either those
10 weren't or will they be.

11 MR. BEITLER: We're not looking at
12 heavy vehicles at this point from an analytical
13 standpoint. The initial issue was we take a
14 portion of the vehicle fleet that would be easy
15 and lucrative to convert for the City of Chicago
16 and that would be the leader for the purpose of
17 getting a number of natural gas stations
18 deployed.

19 Each of the heavy vehicle
20 components, generally there are other issues
21 that surround the heavy vehicles. Like, for
22 garbage, which in many, many cities they have
23 converted to CNG garbage trucks, but how you
pick up garbage becomes an issue.

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1 And so there's a whole lot of
2 analytical points beyond just the fleet itself
3 that become issues in doing the analysis for the
4 heavy vehicles.

5 For the light duty vehicles, you can
6 really analyze the vehicle -- light duty fleet
7 itself, and there's not a whole lot of ancillary
8 issue which was why we eventually settled on
9 light duty vehicles.

10 ALDERMAN POPE: Steve, is this proposal
11 limited to City proper vehicles or are we
12 talking about the sister agencies like the Park
13 District, CTA, Board of Ed all of whom have a
14 fair amount of vehicles?

15 MR. BEITLER: In theory everyone should
16 avail themselves of it. What we were looking at
17 was a specific component of the fleet, in this
18 case City of Chicago proper, for the purpose of
19 making a conversion which would cause a
20 significant number of stations to be built.

21 Once those stations are built, then
22 we would do further outreach to the City and
23 sister agencies. Additionally, there are a
 significant number of major corporations in the

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1 City who already use CNG vehicles in other
2 cities so we would, at an initial point, do
3 outreach to those particular corporations so
4 that they would consider converting their
5 vehicles that currently are in the City of
6 Chicago to CNG so that they would begin using
7 the stations so that from the chicken and egg
8 standpoint, as more and more vehicles convert,
9 we get more and more stations, and as we get
10 more and more stations, then we can start to
11 look at the heavier vehicles, for example, and
12 get those converted.

13 ALDERMAN POPE: And do you foresee this
14 maybe extending to being available to the
15 general public as well?

16 MR. BEITLER: I do.

17 MR. EPSTEIN: Yes.

18 MR. BEITLER: So the way the stations
19 work, they are not open only to a company or a
20 city or unit of government. In fact, there are
21 several CNG light duty vehicles that are
22 available to the general public today and there
23 are more that are coming out.

General Motors and Ford are all

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1 introducing CNG vehicles at the moment. The
2 best selling pickup truck in the United States
3 which is the F150 is available as a CNG vehicle.
4 So any small business in the City that uses a
5 pickup truck could avail themselves.

6 MS. FERGUSON: So are the fueling
7 stations retrofitted of existing gas stations or
8 are these greenfield newly built facilities?

9 MR. BEITLER: Well, they could be
10 retrofitted. We have identified about a hundred
11 pieces of land that the City owns that were
12 preexisting gas stations that could be
13 retrofitted for CNG purposes.

14 However, the way the CNG industry
15 works, in addition to dedicated stations, they
16 often just put in a pump at an existing station.

17 MS. FERGUSON: Well, that's what I was
18 going to ask. Can it be coresident with an
19 existing traditional gas station? Can you just
20 add a pump. So the answer to that is yes?

21 MR. BEITLER: The answer is yes and
22 that's frequently how you find it. The CNG
23 companies themselves like to build stations
because they want to be able to accommodate

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1 heavy trucks, and as we all know from pulling
2 into a gas station, most of the gas stations we
3 fill up at, there's no way that a heavy truck
4 could be accommodated at one of those, so they'd
5 have to build them specially for the purpose of
6 accommodating the heavy trucks and would do so
7 here in the City as well.

8 MR. RAMIREZ: I just have a question.
9 This is Jorge Ramirez. Would we be able to take
10 advantage -- I'm interested in seeing what scale
11 you could take this to.

12 We have a partnership agreement with
13 Cook County, City/County partnership. Would the
14 County be able to avail itself of this as well
15 for their light duty vehicles as well as the
16 State even if they could?

17 MR. BEITLER: We would hope so. At
18 this point, however, we are doing an analytical
19 exercise. It is our expectation that we will
20 receive some unsolicited proposals for this
21 particular proposal that we've been working on,
22 and when we receive those unsolicited proposals,
23 then we will analyze them in relation to the
program that we're establishing, and we believe

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1 that there is very, very wide applicability for
2 this particular program.

3 We are limited in terms of, you
4 know, taking a very narrow approach at the
5 moment, looking at the 4,000 or so light duty
6 vehicles because there is a payback for the City
7 of Chicago for converting those light duty
8 vehicles.

9 So the important thing for us as the
10 Trust is to work with the City to realize the
11 payback for the light duty vehicles to get this
12 program on its way, give birth to it, if you
13 will, and then having given birth to it, there
14 are many, many things that can occur.

15 There's one not-for-profit company,
16 for example, that does nothing but help
17 corporations try to convert their fleets. So
18 there are plenty of folks out there that will
19 piggyback on this to help make it grow.

20 MR. SILVERS: This is Damon Silvers. I
21 just --

22 CHAIRMAN BELL: This is James Bell.
23 And for the interest of time to the Board and
the Advisory Board, this is something that is an

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1 interesting project that's on the drawing board
2 that has a lot of potential if we can make the
3 economics work.

4 One major issue we'll have to work
5 with is, you know, the demand versus the
6 capacity that exists today, and that's something
7 that we have yet to work through, and we have to
8 do that.

9 But this is sort of for your
10 information to let you know the things that we
11 think has application to help the City, and
12 that's something that we think will fit within
13 the Trust structure.

14 There's a lot of work yet to be
15 done. I know that some of the comments have
16 been excellent things that we want to consider,
17 and I do think what we do have gets the right
18 core. There's still a lot of work to be done on
19 this project.

20 MR. SILVERS: This is Damon Silvers.

21 I would just observe about this
22 that again unlike, for example, the school
23 retrofit -- I think some of the comments have
been made go around this point, that this has

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1 revenue growth potential. You build this and
2 there's a lot of upside potentially. So it
3 calls for a different type of financing.

4 MR. BEITLER: We agree. Alderman?

5 ALDERMAN THOMAS: He nailed it for me.

6 MR. BEITLER: Okay.

7 ALDERMAN THOMAS: He nailed my
8 question.

9 MR. KANE: I guess the only thing I
10 would conclude with, if there aren't anymore
11 questions, what we're proposing, what we've
12 looked at right now is certainly not the scale
13 that maybe it could be, but we tried to just
14 limit it to what we know and right now, as we
15 see it, the perspective is that it's very
16 possible.

17 MR. BEITLER: Thanks.

18 So at this point we will ask for
19 public comment, Mr. Chairman, and that will
20 enable us to go into executive session and not
21 have to --

22 ALDERMAN POPE: Is there any public
23 comments at this time?

(No response.)

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1 No one has responded. At this
2 time then we'll move forward to executive
3 session.

4 MR. BEITLER: Basically we'll stop for
5 a moment. We would ask the public if you could
6 please excuse us as we go into executive
7 session.

8 (The executive session
9 proceedings were transcribed
10 under separate cover.)

11 ALDERMAN POPE: We are now back in the
12 open meeting. Steve has joined us too.

13 CHAIRMAN BELL: Any other comments or
14 thoughts for the open meeting?

15 ALDERMAN POPE: No one in the public is
16 out there. They are all gone?

17 MR. BEITLER: Yes.

18 ALDERMAN POPE: Nothing. Hearing none,
19 do I have a motion to adjourn?

20 MR. RAMIREZ: So moved.

21 MS. FERGUSON: Second.

22 ALDERMAN POPE: All in favor?

23 (A chorus of ayes.)

 Opposed?

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1 (No response.)

2 The ayes have it. The meeting is
3 adjourned.

4 (Which were all the proceedings
5 had in the above-entitled
6 cause.)

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1 STATE OF ILLINOIS)
) SS:
2 COUNTY OF COOK)
3

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 set my
14 hand at Chicago, Illinois, this 7th day of
15 March, 2014.

16
17
18 _____
MARI BETH KAWULIA
19 C.S.R. No. 084-2873
20
21
22
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