



CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

September 21, 2017

City Council President Joseph P. Lopes, and
Honorable Members of the City Council
133 William Street
New Bedford, MA 02740

Dear Council President Lopes and Honorable Members of the City Council:

I am submitting for your approval an ORDER authorizing the Mayor to enter into a Master Lease Agreement in an amount not to exceed \$3,684,000 for the financing of the costs for Phase 2 energy conservation measures and facility improvement measures to various municipal buildings and facilities pursuant to the master energy management services agreement between the City and Siemens Industry, Inc

Sincerely,

A handwritten signature in black ink, appearing to read "JFM", is written over the word "Sincerely,".

Jonathan F. Mitchell
Mayor

JFM/smt



OFFICE OF THE CFO

ARI J. SKY
CHIEF FINANCIAL OFFICER

CITY OF NEW BEDFORD

JONATHAN F. MITCHELL, MAYOR

September 21, 2017

TO: Mayor Mitchell

FROM: Ari J. Sky, Chief Financial Officer

SUBJECT: ESCO Phase 2 Financing Package

On February 26, 2015, the City Council approved an Energy Management Services Agreement (EMSA) with Siemens Industries, which initiated the City's energy management program, whose objective is to reduce overall energy consumption by updating the City's property infrastructure. Phase 1, which was approved in October 2015, provided for the replacement of HVAC plants, lighting improvements and other efficiency measures at 10 municipal buildings and 9 schools. Funding for the project was provided by a combination of utility rebates and lease financing, structured to be offset by reduced energy costs.

Over the past several months, Siemens Industries and City staff have developed a second set of improvements, or Phase 2. This package's overall cost will be about \$5.0 million, of which \$0.3 million will be funded by utility rebates. The remaining \$4.7 million will be partially funded with a combination of Phase 1 savings and the State Green Communities grant, leaving a requirement for \$3.7 million in new financing. A summary of the measures to be undertaken may be found on the accompanying table.

The City conducted a solicitation for lease proposals and received bids from seven banks to finance the Phase 2 project. The most favorable proposal came from TD Equipment Finance, which offered to provide \$3,684,000 at a 2.61% rate over a 17 year term, with no prepayment penalty. Siemens estimates that, if approved, Phase 2 activities should be complete by mid-2018. Conservatively, the lease purchase agreement will provide a net cash flow benefit of about \$505,250 over the course of the 17-year term, and an estimated \$409,000 annually beginning in FY 2036.

As in Phase 1, we have taken a number of actions to ensure that the City is fully protected in the event of any delays in project implementation or other unforeseen issues. Specifically:

1. Reductions in energy consumption are guaranteed up to 95% of the estimated savings. The contract will also guarantee that Siemens will direct additional resources to the

project if needed to maintain schedule and will make the City whole for any shortfall in energy savings resulting from delays in implementation.

2. To ensure that the City captures all savings, metering and verification will be based on pre- and post-implementation measurements, as opposed to modeled savings, and commissioning of the project will be conducted by a team separate from the group will perform the initial installation.
3. The lease-purchase note will be structured with no prepayment penalty, and the first full debt service payment will not be due until October 2018. In addition, the repayment structure escalates over time, thereby allowing the City's debt service costs to approximate anticipated future energy costs.

The combination of financing structure and performance guarantees is intended to ensure that the City has sufficient recourse in the unlikely event of a savings shortfall. As a result, I believe that the project contains adequate protections against potential liability and represents a strong opportunity to address significant facility infrastructure issues. I respectfully request that the proposed note be submitted for the September 28, 2017, City Council meeting.

Thank you for your consideration.

Attachments



CITY OF NEW BEDFORD

CITY COUNCIL

September 28, 2017

AN ORDER TO AUTHORIZE THE MAYOR TO ENTER INTO A MASTER LEASE AGREEMENT IN AN AMOUNT NOT TO EXCEED \$3,684,000 FOR THE FINANCING OF THE COSTS OF ENERGY CONSERVATION MEASURES AND FACILITY IMPROVEMENT MEASURES TO VARIOUS MUNICIPAL BUILDINGS AND FACILITIES PURSUANT TO THE MASTER ENERGY MANAGEMENT SERVICES AGREEMENT BETWEEN THE CITY AND SIEMENS INDUSTRY, INC.

WHEREAS, the City of New Bedford (the "Lessee") is a political subdivision of The Commonwealth of Massachusetts (the "Commonwealth") and is duly organized and existing pursuant to the Constitution and laws of the Commonwealth;

WHEREAS, pursuant to applicable law, the City Council of the Lessee ("City Council") is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interests in property, leases and easements necessary to the functions or operations of the Lessee;

WHEREAS, the City Council hereby finds and determines the execution of a lease-purchase agreement (the "Equipment Lease") in the principal amount not to exceed \$3,684,000 (the "Principal Amount") for the purpose of acquiring a portion of the energy conservation measures and facility improvement measures to be designed, procured, installed, implemented and monitored pursuant to the Master Energy Management Services Agreement between the City and Siemens Industry, Inc., approved by the City Council on February 26, 2015, and to be described more specifically in the Equipment Lease (collectively, the "Property"), is appropriate and necessary to the functions and operations of the Lessee;

WHEREAS, T.D. Equipment Finance, Inc. (the "Lessor") is expected to act as the Lessor under the Equipment Lease;

NOW, THEREFORE, BE IT ORDERED BY THE CITY COUNCIL OF THE CITY OF NEW BEDFORD AS FOLLOWS:

Section 1. The Lessee hereby determines that it has evaluated the financing alternatives and that entering into the Equipment Lease with the Lessor and financing the acquisition of the Property thereby is in the best interests of the Lessee.

Section 2. The Lessee is hereby authorized to acquire and install the Property (the "Project") and is hereby authorized to finance the Project by entering into the Equipment Lease. Any action taken by the Lessee in connection therewith is hereby ratified and confirmed.

Section 3. The Mayor, the Treasurer and the Chief Financial Officer (each, an "Authorized Representative") acting on behalf of the Lessee are hereby authorized to negotiate, enter into, execute, and deliver the Equipment Lease in a form that the Mayor, Treasurer and the Chief Financial Officer shall deem in the best interests of the City. Each Authorized Representative acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver

such other documents, contracts and agreements related to the Equipment Lease (including, but not limited to, an escrow agreement) as the Authorized Representative deems necessary and appropriate.

Section 4. By a written instrument signed by an Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the Lessee to execute and deliver agreements and documents relating to the Equipment Lease on behalf of the Lessee.

Section 5. The aggregate original principal amount of the Equipment Lease shall not exceed the Principal Amount and shall bear interest as set forth in the Equipment Lease and the Equipment Lease shall contain such an option to purchase by the Lessee as set forth therein.

Section 6. The Lessee's obligations under the Equipment Lease shall be subject to annual appropriation or renewal by the City Council as set forth in the Equipment Lease.

Section 7. It is hereby determined that the purpose of the Project is an object or purpose permitted under the laws governing the Lessee.

Section 8. Each Authorized Representative is further authorized to take such actions and execute such documents as may be necessary to ensure the continued status of the interest on the Equipment Lease authorized by this order as excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code.

	Bank of America			BayCoast Bank			Capital One			East Boston Savings Bank			Signature Bank			US Bancorp		
	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Transaction Amount	\$3,749,000			\$3,749,000			\$3,749,000			\$3,749,000			\$3,749,000			\$3,749,000		
Term	15 Years	16 Years	17 Years	15 Years	16 Years	17 Years	15 Years	16 Years	17 Years	Up to 15 Years	15 Years	16 Years	15 Years	16 Years	17 Years	15 Years	16 Years	17 Years
Drawdown	All at Closing to Escrow Acct.			All at Closing to Escrow Acct.			All at Closing to Escrow Acct.			All at Closing to Escrow Acct.			All at Closing to Escrow Acct.			All at Closing to Escrow Acct.		
Interest Rate	2.53%	2.57%	3.20%	3.00%	3.10%	3.20%	2.98%	3.08%	3.18%	3.50%	2.74%	2.840%	2.53%	2.58%	2.61%	2.53%	2.58%	2.61%
Rate Fixed	15	16	17	15	16	17	15	16	17	15	15	16	15	16	17	15	16	17
Proposed Rate Floor?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Closing Requirements	November 16, 2017			November 16, 2017			November 16, 2017			None Provided			November 16, 2017			December 31, 2017		
Prepayment Provisions	On Any Payment Date Upon Payment of 102% of the Outstanding Principal Balance			In Whole or in Part at Any Time			102% of the Outstanding Balance Years 1-5; then 101% Years 6-10; Thereafter Pay within the First Five Years from Issuance			Penalty of 1% of the Outstanding Principal Balance if Paid Out by Another Institution within the First Five Years from Issuance			In Whole on Any Scheduled Payment Date; Price is Equal to the Sum of: a) Lease Payment due on such date; b) All Other Amounts Due and Owed Under the Lease; and c) 102% of the Remaining Principal Balance			At Any Time Subject to a Premium Based on the Greater of Yield Maintenance or 2% of Principal Balance		
Fees/Costs	None			Legal Fees Not to Exceed \$20,000			None			Sponsorship Fee, Bond Fee, Bank Legal and Closing Costs			Bank Closing Fees Not to Exceed \$5,000			Escrow Fee of \$1,500		
Proposed Expiration	October 2, 2017			October 23, 2017			September 29, 2017			November 17, 2017			November 16, 2017			September 22, 2017		
Other Notes	Subject to Final Approval. Requires Dispositions of Assets and Bonds for Property at Which Equipment is Established			Subject to Final Approval			Subject to Final Approval			Subject to Final Approval			Subject to Final Approval			Subject to Final Approval. Three Year Lease		

Note: See proposals for complete terms and conditions. Information contained herein is based on initial proposals and subject to further negotiation.

TD Equipment Finance Proposal - (2.61%)

FY	Payment Date	Principal	Interest	Total	FY Total	Gross Energy Savings (FY Basis)	Net Savings (FY Basis)	Principal Outstanding
Total		\$3,684,000	\$1,015,355	\$4,699,355	\$4,699,355	\$5,204,605	\$505,250	
2018	11/16/2017	-	-	-	-	-	-	3,684,000
2019	10/1/2018	88,000	84,133	172,133.35				3,596,000
2019	4/1/2019	88,000	46,928	134,927.80	307,061	336,947	29,886	3,508,000
2020	10/1/2019	60,000	45,779	105,779.40				3,448,000
2020	4/1/2020	61,000	44,996	105,996.40	211,776	241,489	29,713	3,387,000
2021	10/1/2020	65,000	44,200	109,200.35				3,322,000
2021	4/1/2021	66,000	43,352	109,352.10	218,552	248,733	30,181	3,256,000
2022	10/1/2021	71,000	42,491	113,490.80				3,185,000
2022	4/1/2022	71,000	41,564	112,564.25	226,055	256,195	30,140	3,114,000
2023	10/1/2022	76,000	40,638	116,637.70				3,038,000
2023	4/1/2023	78,000	39,646	117,645.90	234,284	263,881	29,598	2,960,000
2024	10/1/2023	82,000	38,628	120,628.00				2,878,000
2024	4/1/2024	84,000	37,558	121,557.90	242,186	271,798	29,612	2,794,000
2025	10/1/2024	90,000	36,462	126,461.70				2,704,000
2025	4/1/2025	89,000	35,287	124,287.20	250,749	279,952	29,203	2,615,000
2026	10/1/2025	96,000	34,126	130,125.75				2,519,000
2026	4/1/2026	96,000	32,873	128,872.95	258,999	288,350	29,351	2,423,000
2027	10/1/2026	102,000	31,620	133,620.15				2,321,000
2027	4/1/2027	103,000	30,289	133,289.05	266,909	297,001	30,091	2,218,000
2028	10/1/2027	110,000	28,945	138,944.90				2,108,000
2028	4/1/2028	110,000	27,509	137,509.40	276,454	305,911	29,456	1,998,000
2029	10/1/2028	118,000	26,074	144,073.90				1,880,000
2029	4/1/2029	117,000	24,534	141,534.00	285,608	315,088	29,480	1,763,000
2030	10/1/2029	125,000	23,007	148,007.15				1,638,000
2030	4/1/2030	125,000	21,376	146,375.90	294,383	324,541	30,157	1,513,000
2031	10/1/2030	134,000	19,745	153,744.65				1,379,000
2031	4/1/2031	133,000	17,996	150,995.95	304,741	334,277	29,536	1,246,000
2032	10/1/2031	142,000	16,260	158,260.30				1,104,000
2032	4/1/2032	142,000	14,407	156,407.20	314,668	344,305	29,638	962,000
2033	10/1/2032	151,000	12,554	163,554.10				811,000
2034	4/1/2033	151,000	10,584	161,583.55	325,138	354,634	29,497	660,000
2034	10/1/2033	160,000	8,613	168,613.00				500,000
2035	4/1/2034	160,000	6,525	166,525.00	335,138	365,273	30,135	340,000
2035	10/1/2034	170,000	4,437	174,437.00				170,000
2036	4/1/2035	170,000	2,219	172,218.50	346,656	376,231	29,576	-
2036	10/1/2035							

Notes:

-All figures preliminary, subject to change as rate fixed through 11/16/2017;

-Gross Energy Savings are net of Performance Assurance fees.

-Par amount of financing was reduced from the bid amount due to reconciliation of actual closing costs with project budget estimates.

Municipal Advisor Disclaimer

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City of New Bedford
Energy Performance Contract Phase 2 Summary

1	Art Museum	LED Hybrid	\$51,461	\$5,800	\$45,661	\$2,860
2	Art Museum	Building Envelope: Air Leakage	\$8,828	\$2,205	\$6,623	\$908
3	Art Museum	Water - Aerators, Showerheads, Pre-Rinse	\$430	\$266	\$164	\$133
4	Art Museum	RTU Replacement with VAV	\$677,926	\$3,744	\$674,182	\$1,675
5	Buttonwood Park Greenhouse	Building Envelope: Air Leakage	\$3,614	\$700	\$2,914	\$288
6	Buttonwood Park Zoo	Lighting - Relamp/Reballast	\$135,093	\$26,145	\$108,948	\$13,002
7	Buttonwood Park Zoo	Water - Aerators, Showerheads, Pre-Rinse	\$1,868	\$345	\$1,523	\$135
8	Buttonwood Park Zoo	Walk-in Freezer/Cooler Controls	\$12,934	\$1,825	\$11,109	\$917
9	Fire Station 2	Lighting - Relamp/Reballast	\$26,146	\$6,480	\$19,665	\$3,180
10	Fire Station 2	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$871	\$0	\$871	\$415
11	Fire Station 5	Lighting - Relamp/Reballast	\$14,152	\$2,965	\$11,188	\$1,456
12	Fire Station 5	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$1,010	\$0	\$1,010	\$305
13	Fire Station 7	Lighting - Relamp/Reballast	\$12,366	\$1,763	\$10,603	\$875
14	Hillman Complex	LED Hybrid - Bldg 9 Removed	\$247,621	\$29,399	\$218,222	\$14,557
15	Hillman Complex	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$5,288	\$2,886	\$2,401	\$1,449
16	Hillman Complex	Pipe Insulation	\$78,596	\$11,723	\$66,873	\$4,347
17	Hillman Complex	Steam Trap Replacement	\$100,708	\$14,808	\$85,900	\$5,491
18	Hillman Complex	Energy Efficient Transformers	\$59,943	\$7,871	\$52,072	\$3,952
19	Hillman Complex	TRVs	\$79,378	\$11,640	\$67,738	\$4,316
20	Trinity School	Lighting - Relamp/Reballast	\$109,869	\$22,847	\$87,022	\$11,268
21	Trinity School	Water - Aerators, Showerheads, Pre-Rinse	\$1,241	\$677	\$564	\$340
22	Police Headquarters	Lighting - Relamp/Reballast	\$53,994	\$13,235	\$40,759	\$6,528
23	Police Headquarters	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$853	\$855	-\$2	\$335
24	Police Station 1	Lighting - New Fixtures	\$65,520	\$13,715	\$51,806	\$6,765
25	Police Station 1	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$722	\$503	\$220	\$252
26	Police Station 3	Lighting - Relamp/Reballast	\$16,782	\$4,731	\$12,051	\$2,343
27	Oak Grove Cemetery	Building Envelope: Air Leakage	\$3,805	\$1,294	\$2,511	\$684
28	Pine Grove Cemetery	Building Envelope: Air Leakage	\$22,365	\$0	\$22,365	\$2,727
29	Pine Grove Cemetery	Smart Tstat Upgrade - Unoccupied Space Temp Setback	\$3,682	\$0	\$3,682	\$225
30	Rural Cemetery	Smart Tstat Upgrade - Unoccupied Space Temp Setback	\$3,682	\$0	\$3,682	\$599
31	Ashley Elementary School	Lighting - New Fixtures	\$82,790	\$9,440	\$73,350	\$4,645
32	Ashley Elementary School	Building Envelope: Air Leakage	\$31,238	\$0	\$31,238	\$3,855
33	Ashley Elementary School	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$984	\$0	\$984	\$352
34	Brooks Elementary School	Piping and Fitting Insulation (steam)	\$19,066	\$0	\$19,066	\$1,592

City of New Bedford
Energy Performance Contract Phase 2 Summary

35	Campbell Elementary School	Piping and Fitting Insulation (steam)	\$12,925	\$0	\$12,925	\$1,152
36	Campbell Elementary School	Steam Trap Replacement	\$39,392	\$0	\$39,392	\$3,198
37	Campbell Elementary School	TRVs	\$30,108	\$0	\$30,108	\$3,805
38	Swift Elementary School	Lighting - Relamp/Reballast	\$36,427	\$8,920	\$27,507	\$4,366
39	Swift Elementary School	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$373	\$0	\$373	\$81
40	Swift Elementary School	TRVs	\$8,211	\$0	\$8,211	\$1,239
41	Carney Elementary School	LED Hybrid w/ Forum inc	\$581,560	\$72,589	\$508,971	\$35,843
42	Carney Elementary School	Water - Aerators, Showerheads, Pre-Rinse, Toilets	\$8,963	\$1,878	\$7,086	\$735
43	Carney Elementary School	Energy Efficient Transformers	\$116,912	\$16,972	\$99,940	\$8,522
44	Carney Elementary School	Reprogram Boiler Controls	\$45,753	\$11,313	\$34,440	\$4,195
45	Parker Elementary School	Boiler Replacement and Gas Conversion	\$448,304	\$20,000	\$428,304	\$9,324
46	New Bedford High School	Electric Centrifugal Chiller	\$1,447,902	\$0	\$1,447,902	\$34,738
47	Zeiterion Theatre	Siemens Controls for new AHU	\$26,594	\$0	\$26,594	\$0
48	UBM	0	\$15,572	\$0	\$15,572	\$0
49	PA Set up	0	\$23,561	\$0	\$23,561	\$0
TOTAL			\$4,777,245	\$329,530	\$4,447,715	\$209,868

City of New Bedford - ESCO Project Phase 2 Cost Summary

Direct Cost and Rebates	
Direct Cost of ECMs/FIMs (Trade Material and Labor)	\$3,113,735
ESCO Contingency (5% of Direct Cost)	\$155,687
Utility Rebates (% of Direct Cost Not Including Contingency)	(\$329,530)
Net Direct Costs After Rebates	\$2,939,891
ESCO Construction Costs (Design, PM, Cx, M&V, Training, etc.)	\$632,077
ESCO Overhead	\$464,356
ESCO Profit	\$267,898
Investment Grade Audit Fee (\$/ft2)	\$143,630
City Share of Installation Cost	\$4,447,851
Hazardous Materials Abatement Budget	\$31,350
City Contingency	\$150,000
Bond Administration	\$100,000
Down Payment (Phase I Additional Utility Rebates, Phase I Bond Contingency, Green Communities)	(\$980,688)
Total Amount Financed by New Bedford	\$3,748,513
Net Due to ESCO - Includes Assigned Utility Rebates Less Internal HazMat Budget and Contingency	\$4,777,381