

RESOLUTION OF THE CITY COUNCIL

No. 272

Approved June 28, 2016

WHEREAS, The American Recovery and Reinvestment Act of 2009 authorized Qualified Energy Conservation Bonds (“QECCBs”) to finance certain qualified energy conservation projects; and

WHEREAS, Section 54D of the Internal Revenue Code, 26 U.S.C. §54D, sets a national volume cap limitation on the issuance of QECCBs and authorizes allocations among the States in proportion to State populations; and

WHEREAS, Internal Revenue Service Notice 2009-29 allocated \$10,901,000 in QECCB volume cap to the State of Rhode Island (the “State”); and

WHEREAS, 26 U.S.C. §54D requires that each “large local government” within a State, be allocated a portion of the State’s QECCB volume cap allocation in the same ratio as the population such large local government bears to the State’s population; and

WHEREAS, “Large local governments” are defined as any municipality with a population of 100,000 or more; and

WHEREAS, The City of Providence (the “City”) is a “large local government” pursuant to 26 U.S.C. §54D; and

WHEREAS, 26 U.S.C. §54D(e)(2)(B) allows a large local government to reallocate its QECCB volume cap to a State; and

WHEREAS, Pursuant to Rhode Island General Laws Chapter 42-10.1, the General Assembly created within the department of the General Treasurer the Public Finance Management Board (“PFMB”); and

WHEREAS, The General Assembly has authorized the PFMB to allocate the QECCB volume cap to various entities; and

WHEREAS, The General Assembly has specifically provided for the allocation of QECCB volume cap and, in accordance with 26 U.S.C. §54D, the City of Providence’s ability to reallocate its QECCB volume cap, as follows:

(c) The ten million nine hundred one thousand dollars (\$10,901,000) in total qualified energy conservation bond volume cap allocation granted to the State of Rhode Island by the Secretary of the Treasury pursuant to 26 U.S.C. § 54D of the Internal Revenue Code is hereby allocated to the board for subsequent allocations by the board in accordance with rules and regulations to be promulgated by the board in accordance with the Administrative Procedures Act, Chapter 35 of this title, provided, however, that **the City of Providence shall be allocated by the board no less than its portion** as provided in 26 U.S.C. § 54D(e)(2)(A) of the Internal Revenue Code **unless the City of Providence determines that the board may further reallocate such portion to other bond issuers.** [RIGL § 42-10.1-3(c), emphasis added.]

WHEREAS, Chapter 141, Article 14, Section 17 of the Rhode Island Public Laws 2015 designated the Rhode Island Infrastructure Bank (“RIIB”) to be the sole issuer of QECCBs from the State’s allocation, including any portions of which have been reallocated to the State by local governments; and

WHEREAS, The PFMB intends to allocate the State’s QECCB volume cap to the RIIB, which will issue QECCB and loan funds to various Rhode Island municipalities; and

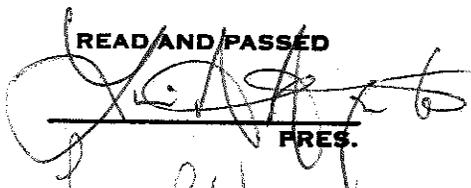
WHEREAS, the City’s share of QECCB volume cap is less than two million (\$2,000,000.00) dollars; and

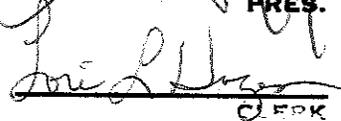
WHEREAS, The City has determined to reallocate the City’s share of QECCB volume cap to the State, which will allow the PFMB to reallocate such share to other bond issuers including the RIIB.

NOW, THEREFORE, BE IT RESOLVED, That the Providence City Council hereby reallocates all of the City of Providence’s portion of Qualified Energy Conservation Bond volume cap to the State’s PFMB, pursuant to Section 54D(e)(2)(B) of the Internal Revenue Code and RIGL§ 42-10.1-3(c).

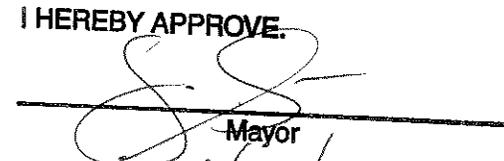
IN CITY COUNCIL

JUN 27 2016

READ AND PASSED


PRES.


CLERK

I HEREBY APPROVE.


Mayor
Date: 6/28/16

PROVIDENCE EBF PROJECTS

SIMPLE CASH FLOW - 3% Energy Escalation Factor

12 Year (25 Payments)

Total Project Implementation Cost:	\$ 1,146,651
Providence Cash Input (from separate NGrid Incentive):	\$ (7,500)
Utility Incentive:	(72,502)
Amount Financed:	\$ 1,066,649
Compound Period:	Semi-Annual - In Advance
Finance Term:	12
Number of Payments:	25
Semi-Annual Payment (In Advance):	\$ (55,833)
Annual Energy + Maint. Savings:	\$ 91,556
Project Financing Rate:	2.39%
Energy Inflation Rate:	3.00%

PROJECT FINANCIAL ANALYSIS - LEVEL DEBT SERVICE

	FY 2016 (Yr. 0)	FY 2017 (Yr. 1)	FY 2018 (Yr. 2)	FY 2019 (Yr. 3)	FY 2020 (Yr. 4)	FY 2021 (Yr. 5)	FY 2022 (Yr. 6)	FY 2023 (Yr. 7)	FY 2024 (Yr. 8)	FY 2025 (Yr. 9)	FY 2026 (Yr. 10)	FY 2027 (Yr. 11)	FY 2028 (Yr. 12)	FY 2029 (Yr. 13)	FY 2030 (Yr. 14)	FY 2031 (Yr. 15)	FY 2032 (Yr. 16)	
12 Year (25 Payments)																		
Energy and Maintenance Savings	\$ 91,556	\$ 94,303	\$ 97,132	\$ 100,046	\$ 103,047	\$ 106,138	\$ 109,323	\$ 112,602	\$ 115,980	\$ 119,460	\$ 123,044	\$ 126,735	\$ 130,537	\$ 134,453	\$ 138,487	\$ 142,641		

	FY 2016 (Yr. 0)	FY 2017 (Yr. 1)	FY 2018 (Yr. 2)	FY 2019 (Yr. 3)	FY 2020 (Yr. 4)	FY 2021 (Yr. 5)	FY 2022 (Yr. 6)	FY 2023 (Yr. 7)	FY 2024 (Yr. 8)	FY 2025 (Yr. 9)	FY 2026 (Yr. 10)	FY 2027 (Yr. 11)	FY 2028 (Yr. 12)	FY 2029 (Yr. 13)	FY 2030 (Yr. 14)	FY 2031 (Yr. 15)	FY 2032 (Yr. 16)
Payments																	
Semi-Annual Finance Payments	\$ (55,833)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)
Est. Capitalized Constr. Interest Pymt	\$ (32,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Payments	\$ (88,333)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)	\$ (111,666)
Net Cash Flow	\$ 3,223	\$ (17,363)	\$ (14,534)	\$ (11,620)	\$ (8,619)	\$ (5,528)	\$ (2,343)	\$ 936	\$ 4,314	\$ 7,794	\$ 11,378	\$ 15,069	\$ 18,871	\$ 22,724	\$ 26,647	\$ 30,641	\$ 34,700
Cumulative Cash Flow	\$ 3,223	\$ (14,140)	\$ (28,675)	\$ (40,295)	\$ (48,914)	\$ (54,442)	\$ (56,785)	\$ (55,849)	\$ (51,534)	\$ (43,741)	\$ (32,363)	\$ (17,294)	\$ 1,577	\$ 136,030	\$ 274,516	\$ 417,158	

Draft Date - May 26, 2016
 Savings = \$81,556 Energy + \$10,000 Maint.
 First payment due FY 2018

Building	Measure
Atwells Fire Station	Lighting: LED Interior/Exterior w Adv Controls
Atwells Fire Station	Building - Env: Wx Entry & Ovhd Doors, Poledrop Shutter
Atwells Fire Station	EMS Controls: EMS w Integration to existing EMS
Atwells Fire Station	Boiler Upgrades: New Steam Boiler/Fuel Switch & S-Traps, DHW
Atwells Fire Station	Interlock Ovhd Doors w Heat
Branch Fire Station	Lighting: LED Interior/Exterior w Adv Controls
Branch Fire Station	Building - Env: Wx Entry & Ovhd Doors, Poledrop Shutter
Branch Fire Station	EMS Controls: EMS w Integration to existing EMS
Branch Fire Station	Boiler Upgrades: New HE/C Boiler& Fuel Switch to Gas
Branch Fire Station	Interlock Ovhd Doors w Heat
Broad St. Fire Station	Lighting: LED Interior/Exterior w Adv Controls
Broad St. Fire Station	Building - Env: Wx Entry & Ovhd Doors, Poledrop Shutter
Broad St. Fire Station	EMS Controls: EMS w Integration to existing EMS
Broad St. Fire Station	Boiler Upgrades: New Hydronic Boiler, Fuel Switch to Ngas
Broad St. Fire Station	Interlock Ovhd Doors w Heat
Dexter FD Garage	Comprehensive Space Heating and Cooling System Upgrade
Dexter FD Garage	LED lighting
Police Academy	Comprehensive Space Heating System Upgrade
Police Academy	LED lighting
Police Academy	Seal Drs & Wins

Building	Average Electric Cost	Average Heating Oil Cost	Average Cost Natural Gas	Total Average Energy Cost	Estimated Cost Savings by Building
Atwells Avenue Fire Station	\$ 7,832.22	\$ 14,450.46	\$ 982.67	\$ 23,265.35	\$ 11,861.00
Branch Avenue Fire Station	\$ 11,551.00	\$ 16,359.01	\$ 770.33	\$ 28,680.34	\$ 16,067.00
Broad Street Fire Station	\$ 9,105.72	\$ 10,071.82	\$ 1,508.67	\$ 20,686.21	\$ 13,479.00
Police Academy	\$ 4,729.84	\$ 34,318.41	\$ 298.33	\$ 39,346.58	\$ 23,867.00
Dexter Street Garage	\$ 14,813.72	\$ 31,859.35	\$ -	\$ 46,673.07	\$ 26,282.00
					\$ 91,556.00

*Average energy costs 2013-2015



CITY OF PROVIDENCE

2. Resolution Reallocating the City of Providence's Portion of Qualified Energy Conservation Bond Volume Cap to the State's Public Finance Management Board (PFMB).

The second item is Providence's application to the Efficient Building Fund (EBF), a program of the Rhode Island Infrastructure Bank (RIIB). Established under Rhode Island General Laws, Chapter 46-12.2-4.2, the Efficient Buildings Fund (EBF) is a revolving loan fund to finance energy efficiency and renewable energy projects for municipally owned buildings and school facilities as well as quasi-governmental agency buildings. The purpose of this program is to provide financial assistance in the form of municipal lease obligations to local governmental units for deep energy savings projects (greater than 20%) where the annual energy savings achieved by the project exceed the annual debt service.

The City went through a competitive bid processes last fall to select two energy service provider companies. These two companies have identified a number of energy saving measures in five municipal buildings that will be cash-flow positive after 12 years. The total investment would be roughly \$1.1 million. These investments in the buildings are not only timely and necessary repairs, but they will reduce energy consumption, provide a cost-savings to the City, and make the facilities more comfortable for employees and other occupants. The attached spreadsheet details the projects and the financial model.

Sincerely,

A handwritten signature in black ink, appearing to read "Leah Bamberger".

Leah Bamberger,
Director

OFFICE OF SUSTAINABILITY
25 Dorrance St
Providence, RI 02903
www.providenceri.com

FINANCE COMMITTEE QUESTIONS

Item # 2:

1. What are the costs of the bonds?

Local bond issuance costs (bond counsel, etc), 1% origination fee one time origination fee and 50bps annual servicing fee. Typically the bank also provides an incentive off the market interest rate. The incentive is TBD but will be determined by the time the Bank prices the bonds.

- a. Who pays?

First payment for principal and debt service will be in September 2017. RIBB will capitalize the interest from now till then so once the projects are completed the city can realize the savings on the projects financed to match the debt service payments.

2. What is capitalized interest?

Capitalized interest is interest added to the principal amount of the bond.

3. Are the energy saving measures to the five buildings going to further reduce the Heat Light and Power Line item in the FY17 budget of \$3,564,400? If yes, by how much?

The energy savings measures will save the city roughly \$91k. However, exact consumption and savings always depends on weather. For example, the new boilers are much more efficient but if we have a much colder winter, energy consumption could be just as high, in which case, the savings become an avoided cost.

4. Can you provide a breakdown of current costs to what these cost saving measures will save once implemented, by property?

Building	Average Electric Cost	Average Heating Oil Cost	Average Cost Natural Gas	Total Average Energy Cost	Estimated Cost Savings by Building
Atwells Avenue Fire Station	\$7,832.22	\$14,450.46	\$982.67	\$23,265.35	\$11,861.00
Branch Avenue Fire Station	\$11,551.00	\$16,359.01	\$770.33	\$28,680.34	\$16,067.00
Broad Street Fire Station	\$9,105.72	\$10,071.82	\$1,508.67	\$20,686.21	\$13,479.00
Police Academy	\$4,729.84	\$34,318.41	\$298.33	\$39,346.58	\$23,867.00
Dexter Street Garage	\$14,813.72	\$31,859.35	\$-	\$46,673.07	\$26,282.00
					\$91,556.00

FINANCE COMMITTEE QUESTIONS

*Average energy costs 2013-2015					
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5. When are these cost saving measures completed?

The heating measures will be expedited so we can capture the savings this winter. All measures will be completed within the next fiscal year.

6. When do the savings begin?

As soon as the measures are implemented (see above)

7. Is the companies who made the recommendation doing the work? If so, are we comfortable that the company did not over recommend?

Yes—however, we had a third party consultant and Public Property verify all the measures.

8. Please provide any independent research on the useful life of the assets you are purchasing.

We made sure that the finance period does not extend beyond the useful life of the assets.

9. I would recommend that the project be part of the record.

10. If I am reading it correctly, we have a negative cash flow from this project (best case scenario) for the first 7 years, after that it goes positive. What happens if you do not get the savings or they fail before the 12 years (12 years is the payoff of the property)?

11. Please provide the bids and rfp for the project.

Will attach