



Sustainable Energy Bond Program

Presented by the Foundation for Renewable Energy and Environment (FREE) and the California Statewide Communities Development Authority (CSCDA)



Foundation for
Renewable Energy & Environment



CSCDA
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



Sustainable Energy Financing

Sustainable Energy Financing is a proven, self-funding approach to building infrastructure investment that uses guaranteed dollar savings from improvements in high efficiency, low/no-carbon strategies to cover the cost. This approach frees institutions from upfront costs to implement improvements and enables them to focus their capital budgets on the essentials running their core business.

Participants in financings based on the FREE initiative have achieved 20-30% savings in utility bills within a year of completion of the improvements.

What is the Sustainable Energy Bond Program?

The California Statewide Communities Development Authority (cacommunities.org) and the Foundation for Renewable Energy and Environment (FREE) are teaming together to provide public agencies and nonprofit organizations throughout California with access to tax exempt financing for sustainable energy investments.

Under the Sustainable Energy Bond Program (SEB Program), participating entities and organizations have the ability contract with a pre-qualified Energy Service Company (ESCO) to complete energy and water conservation measures. Improvements could include street lighting, building lighting, pumps, HVAC, system controls, boilers, chillers, ducting, windows, partial roofing, toilets and others. The program participants will receive substantial utility cost savings, including a contractual guarantee sufficient to cover the full cost of all retrofit work. All projects are financed through tax-exempt bonds.

How it Works

The initiative includes the development of a list of technology and management improvements, the creation of a cost-efficient financing structure, the negotiation of contracts using FREE's common documents platform, the crafting of the market's best known savings guarantee, preparation of an effective presentation before rating agencies, expert assistance in launching construction and delivery of independent, objective monitoring and verification of results.

How Do You Participate in the SEB Program?

1. Sign letter of Intent
2. Request contractor bids
3. Receive Investment Grade Audit and finalize conservation measures
4. Execute agreements
5. Start project

KEY BENEFITS

- Guaranteed Dollar Savings on Energy & Water
- No Up-front Capital Required - All construction costs are paid for from the bond
- Participants own all improvements and benefits

Program Benefits

Overall Benefits

- Creates local jobs throughout the duration of the projects
- Pool structure allows participants of all sizes to participate in projects they would not normally be able to access
- Provides long-term reduction in energy consumption/bills
- Flexibility of program allows other statewide programs to be utilized in conjunction with this program

Participant Benefits

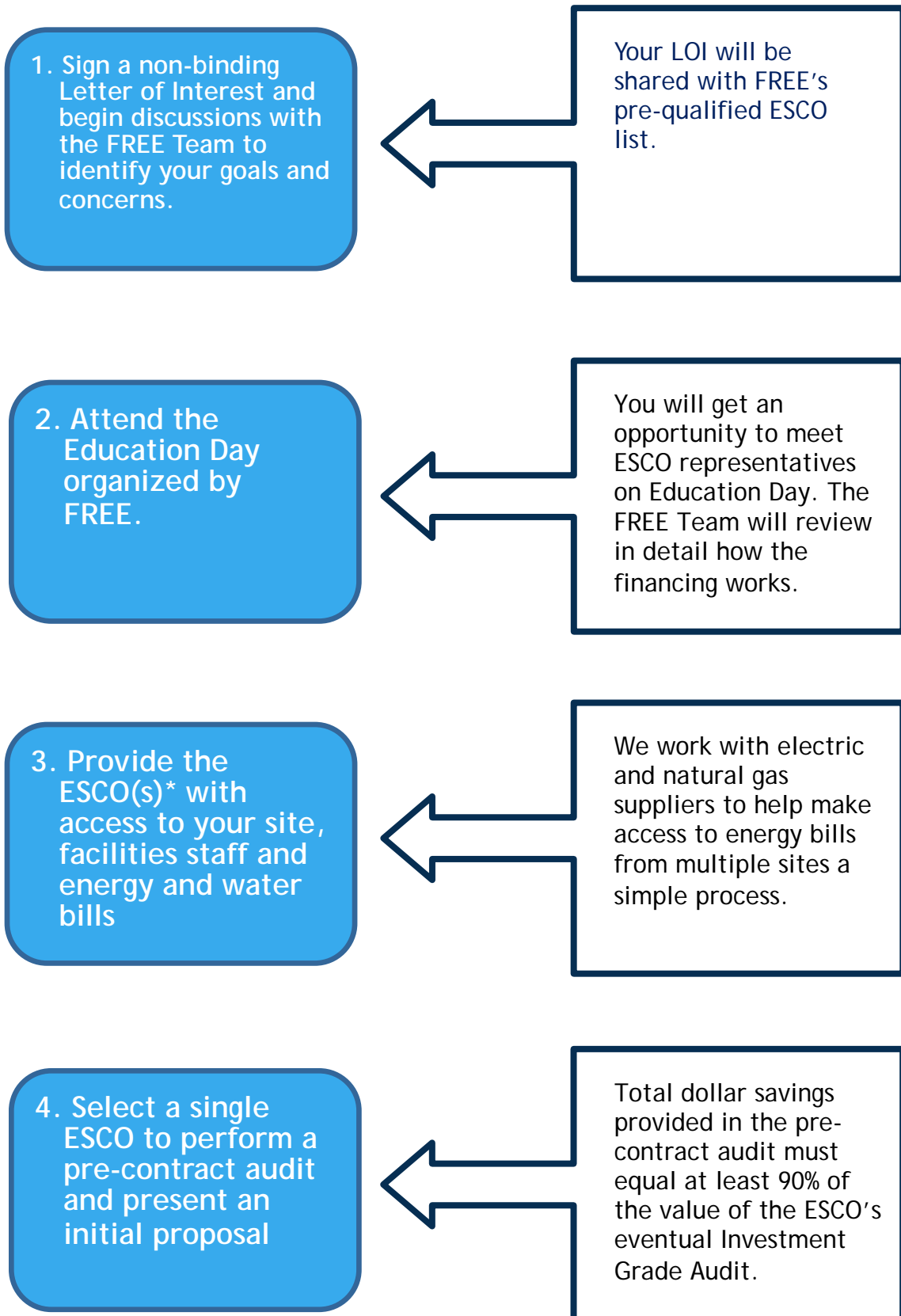
- No upfront capital costs required from participants. All projects costs are fully paid for through the savings guarantee.
- Financing is customized for each participating organization and each measure separately.
- Participants own all improvements and associated benefits. The financing is tax-exempt.
- Interest rate on the loan is likely to range from 1.5% - 4%, depending on credit rating, and the length of time it takes to pay for retrofits through utility bill savings.
- Guaranteed dollar savings provided by Energy Service Companies - These funds are used to pay back the loan and reduce operating expenses.
- Net savings accrue to participants who own all improvements at the conclusion of the project.
- The SEB maximizes project flexibility by selecting energy conservation measures and repayment terms that are customized to meet participant needs and provide immediate, positive cash flows.
- FREE provides national experts to independently monitor and verify the results.

FACT SHEET

Sustainable Energy Bond Program

Characteristic	Description
Program Title	CSCDA/FREE Sustainable Energy Bond Program
Program Design & Execution	<i>Foundation for Renewable Energy & Environment (FREE)</i> 501(c)(3) corporation created by the architects of the first SEB issuance (2011 in Delaware)
Issuer	<i>California Statewide Communities Development Authority (CSCDA)</i> a joint powers authority sponsored by the League of California Cities and the California State Association of Counties
Participants	City and county agencies; academic institutions; hospitals
Type of Program	Program to finance energy efficiency improvements and onsite renewable energy generation for the MUSH sector which lower energy and related operating costs, reduce pollution, decrease the sector's carbon footprint
County / Region	California, USA
Start Date / End Date	Program Initiation: Bond Issuance TBD / Final Bond payment: TBD
Objectives	To develop an approach to secure low interest rate capital markets financing for energy efficiency and onsite renewable energy investments for a pool of public buildings, higher education institutions and hospitals.
Energy Efficiency / GHG Goals	Per participant: minimum 20% energy savings; 20-25% GHG emissions avoided
Key Advantages	<ul style="list-style-type: none"> • FREE/CSCDA team is able to design, organize and implement all phases of financing with experts on hand in technology, law, financial structures, and performance measurement • Guaranteed money savings greater than debt service • Project aggregation mechanisms • Redefinition of M&V as a diagnostic tool supervised by independent, trusted advisors working on behalf of Participants • Standard contracts and documentation • Range of bond maturities through serialization
Financing Mechanism	Tax exempt by-appropriation serial bonds
Total Funding	Unlimited
Contact	Foundation for Renewable Energy & Environment E: info@freefutures.org P: 212-705-8758
Learn More	FREE Policy Briefs at http://freefutures.org/wp-content/uploads/2013/11/2013_FREE-Policy-Brief_No-1_SEU-Understanding-Basics.pdf And http://freefutures.org/wp-content/uploads/2013/11/2013_FREE-Policy-Brief_-No-2_SEU-Business-Model.pdf Further reading: http://freefutures.org/seu-initiative/sustainable-energy-as-an-infrastructure-investment

How To Begin the FREE SEF Process



* All ESCOs are pre-qualified by FREE through a competitive RFP process

How To Begin the FREE SEF Process

5. Move forward with an investment grade audit or opt out. If you move forward, the ESCO will conduct a 2nd, detailed audit and present its dollar savings guarantee.

The investment grade audit (IGA) is used by the ESCO to establish its dollar savings guarantee to you. If you then opt out, you will need to pay part of the cost of the IGA.

6. Sign the Guaranteed Savings Agreement, which spells out how the guarantee works and how savings are monitored and verified.

The FREE Team will provide comparative metrics so that you can compare your guarantee to ones provided to other Participants. This creates a competitive process in your favor!

7. Retrofit work is completed by the ESCO, and all equipment is regularly checked to ensure performance specifications are met.

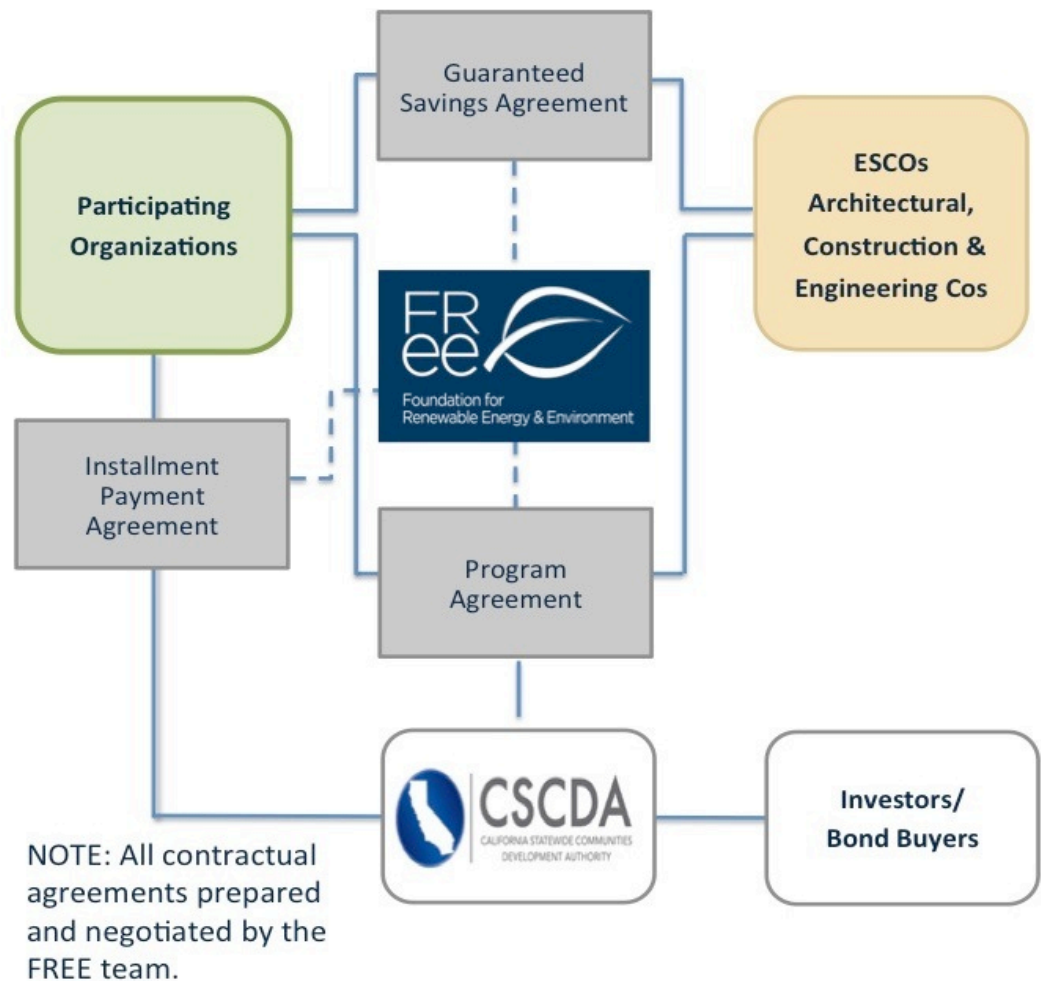
You sign off on payments after you are provided functional testing and commissioning documentation.

8. Your financial savings are verified over a minimum period of time needed to pay off all retrofit costs.*

The verification of savings is extremely important, and you will receive regular reports from ESCOs documenting them.

*FREE's independent experts (paid from the proceeds of the financing) oversee measurement and verification, meeting each quarter with the participant.

Illustration of FREE's Model of Sustainable Energy Financing



Guaranteed Savings Agreements (GSAs): Negotiated with participating public and non-profit agencies by an Energy Service Company (ESCO) pre-qualified by FREE.

ESCOs participating in the Program must agree to guarantee annual money savings equal to or greater than the debt service of the Participant. If an ESCO cannot meet the GSA by third quarter, it has three options under the FREE contracts platform:

- 1) Invest more (at own expense) in the participant's facilities to increase savings
- 2) Negotiate changes in facility management in order to realize guaranteed savings
- 3) Make payment to the Participant to cover the shortfall

Program Agreement: includes a) a complete construction schedule, b) a monitoring & verification (M&V) schedule, c) Participant-approved performance measurement methods (by improvement), d) a data access and sharing agreement, e) an annual fuel price escalator for the duration of the debt service (subject to the approval of Participants) and f) oversight of the M&V process by FREE's experts.

Installment Payment or Lease Agreement: defines timely payment of debt service.

FREE's team joins bond counsel, the underwriter, issuer, financial advisor and others in preparing and presenting the proposed financing to the rating agencies.

FREE continues to support Participants after construction, advocating their performance interests (including review and analysis of quarterly M&V reports for up to 3 years.)



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FREE has assembled a team of energy and water experts, engineers, financial advisors, bond counsel and monitoring & verification specialists in order to get the best results for participants in its SEB financing programs.

Sustainable Energy Bond Team

Team Lead:	Dr. John Byrne FREE co-founder and Chairman of the Board jb@freefutures.org
Financial Advisor:	Ken Becker Becker Capital and Finance; FREE co-founder kbecker@beckercf.com
Bond Counsel:	Roger Davis and John Wang Orrick Herrington & Sutcliffe, LLP rogerdavis@orrick.com johnwang@orrick.com
Program Counsel:	Baird Brown Drinker Biddle & Reath, LLP baird.brown@dbr.com

About FREE

The Foundation for Renewable Energy and Environment (FREE) is a nonprofit organization established to promote a better future based on energy, water and materials conservation, renewable energy use, environmental resilience, and sustainable livelihoods.

Dr. John Byrne is Chairman and CEO of The Foundation for Renewable Energy and Environment (FREE) (who also serves as Director of the Center for Energy and Environmental Policy (CEEP) and Distinguished Professor of Energy & Climate Policy at the University of Delaware). Dr. Byrne has developed and successfully executed his Sustainable Energy Financing initiative in Delaware and around the country. For his work since 1992 with the Intergovernmental Panel on Climate Change, the IPCC Secretariat named him as one of the authors sharing the 2007 Nobel Peace Prize.

More information can be found at www.freefutures.org



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About CSCDA

California Statewide Communities Development Authority (CSCDA) creates innovative, low-cost, pooled finance programs to respond to the fiscal needs of city and county participants. The program is designed to address short-term borrowing needs, budget shortfalls, and provide access to capital for critical infrastructure improvements. City and county participants control all private activity bond issues through required local public hearings.

Jon Penkower represents CSCDA, a joint powers authority sponsored by the League of California Cities ("League") and the California State Association of Counties ("CSAC"). CSCDA was created by the League and CSAC in 1988 to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California. CSCDA has issued more than \$48 billion through 1,330 financings since 1988 and consistently ranks in the top 10 of more than 3,000 nationwide public issuers of tax-exempt debt, as measured by annual issuance amount.



California Communities

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