

# **Financing Case Study K-12 Market Energy Performance Contracts**

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## Sterling National Bank

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- ❖ SNB provides customized financing solutions to facilitate the implementation of energy conservation and distributed renewable energy projects for state, local governmental units (Municipal), higher education (Universities), k-12 school districts (Schools), private education and Healthcare (MUSH).
- ❖ Sterling Public Finance started in March 2015 and has closed over \$287 Million in tax-exempt financing for energy performance contracts to date.
- ❖ Sterling Public Finance has national scope with offices in NY, MA, IL and AZ .
- ❖ In addition to EPC financing, SNB has a focus on the private placement of tax-exempt General Obligation, Enterprise Revenue backed, Tax backed and Real Property secured financing projects. 2

## School District

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- ❖ Rural New Hampshire School District serving three (3) towns covering two (2) counties.
  
- ❖ District operates four (4) schools
  - ❖ Two elementary schools
  - ❖ Middle School
  - ❖ High School
  
- ❖ Total enrollment for FYE16 is under 1,050 students
  
- ❖ No public ratings
  
- ❖ Was experienced with EPC having successfully completed a Phase I EPC in 2006

## Project

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- ❖ Phase II scope included HVAC upgrades, lighting retrofit, bio-mass boiler replacement, window replacement, building controls, solar thermal and a 980kW net-metered solar project.
- ❖ Total EPC cost for Phase II was \$4.35MM
- ❖ EPC scope involved all four (4) District schools as well as the administration building.
- ❖ Fifteen year EPC.
- ❖ Large, nationally prominent ESCO.

## Financing

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- ❖ Utilize all the available savings (both guaranteed and stipulated) to service lease payments.
- ❖ Solve for the shortest term that pays off the lease using the project savings, REC values and state building aid.
- ❖ Phase I savings exceeded the guarantee and excess was available to service Phase II lease payment.
- ❖ Phase I lease was originally financed at 4.88% for a 15 year amortization
- ❖ There was five (5) years remaining on the Phase I lease

## Final Financing Structure

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- ❖ Total Amount Financed was \$5.65MM
  - ❖ Phase II project cost of \$4.35MM
  - ❖ Phase I refinance of \$1.30MM
  
- ❖ Utilized a combination of cash flows to service the lease payments:
  - ❖ Phase II guaranteed and stipulated savings and REC values
  - ❖ Phase I savings
  - ❖ Phase I refinanced interest savings
  
- ❖ Settled on a twelve (12) year term
  - ❖ Modeled for net positive cash for term
  - ❖ Had positive net annual cash flow by year six(6)



## Contact Information

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