



Innovations in Municipal Energy Efficiency Financing

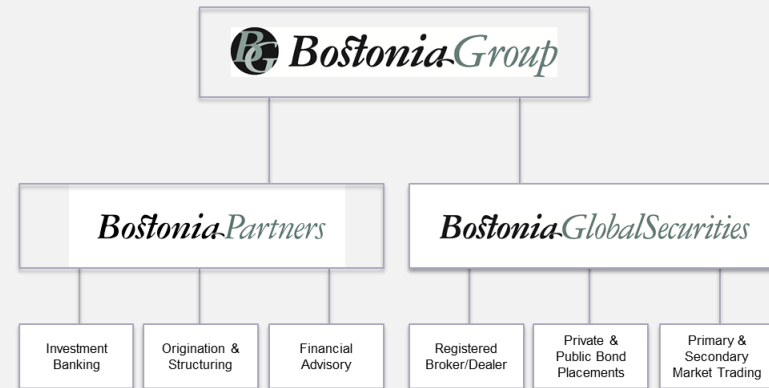


**ACEEE 2016 Energy Efficiency Finance Forum
Newport, Rhode Island
May 23, 2016**

BOSTONIA OVERVIEW

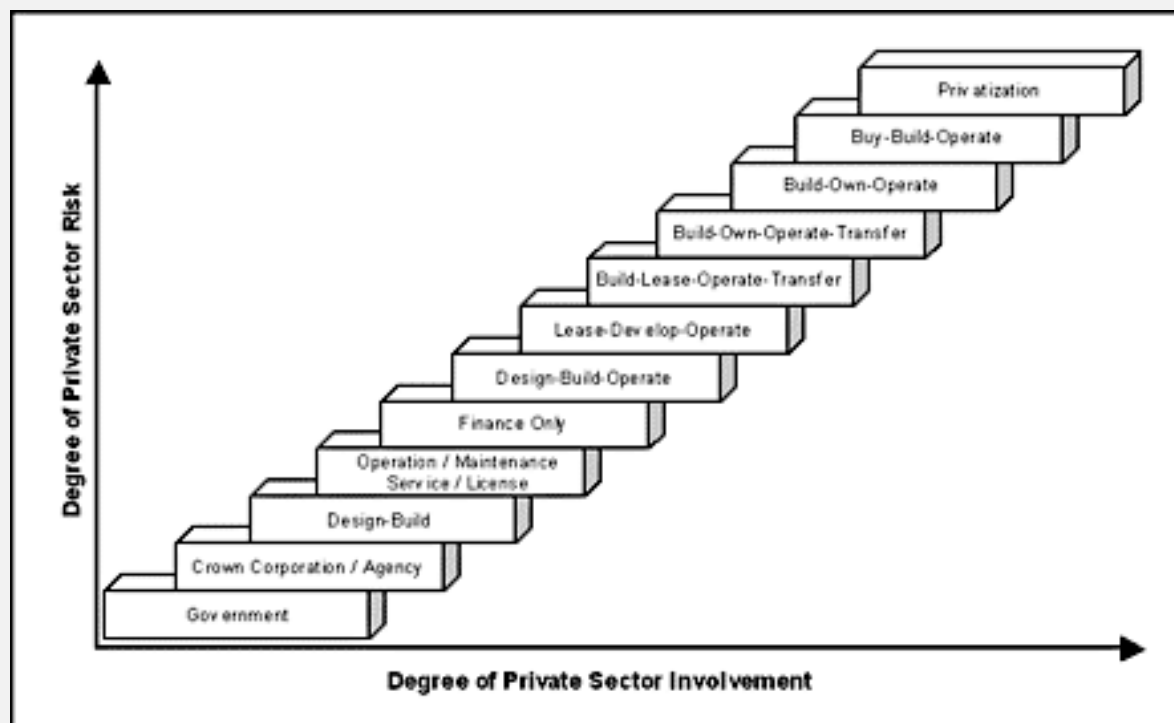
- **Bostonia Group** (Bostonia) has completed over \$13 billion of transactions in real estate, energy, and contract finance since 1998. The firm consistently ranks in the top ten among all banks for U.S. for domestic private placements.
- **Bostonia Partners**, the investment banking arm of Bostonia Group, specializes in financing federal, corporate, and institutional real estate projects.
- **Bostonia Global Securities**, the broker/dealer arm of Bostonia Group, provides direct access to institutional investors through daily activity in the capital markets.

Private Placement Market, League Table, 2015				
Rank	Bank	Volume	Deals	Market Share
1	BAML	\$6.40B	39	19.3%
2	JP Morgan	\$3.97B	31	11.9%
3	Goldman Sachs	\$3.52B	12	10.6%
4	Wells Fargo	\$3.48B	29	10.4%
5	Morgan Stanley	\$2.30B	20	6.9%
6	Barclays	\$2.05B	14	6.2%
7	Mesirow	\$1.94B	18	5.9%
8	US Bank	\$1.67B	24	5.0%
9	Mitsubishi	\$1.26B	15	3.8%
10	Bostonia	\$838.88M	21	2.5%



Public Private Partnerships Gaining Energy

- **P3 establishes a business relationship between a public agency and a private entity**
 - Contractual arrangements bundle investment expenditures with life-cycle operation costs-not a selling off of assets.
- Development, management, and finance of project is often delegated to private firms
- Debt does not have to be public borrowing and often is not
- Government/not-for profit can retain/obtain ownership after expiration of contracts
- A successful P3:
 - allocates risk among the parties best suited to bear the risk
 - shares revenues or cost savings with government/not-for profit
 - contains Incentives for the private sector to maximize performance
 - traditional EE projects fit perfectly into P3 structure
 - P3 model made for energy initiatives



Source: The Canadian Council for Public Private Partnerships

P3 OPPORTUNITY CONSIDERATIONS=\$

- Traditional EE projects fit seamlessly into P3 structure
- Non core revenues to support institutional mission activities
- Deferred maintenance costs for infrastructure projects
- Historically low interest rates
- Tax advantaged structures
- Programmatic benefits
- Risk transfer
- Leasing opportunities
- Capital budget benefits
- Accounting considerations

Project Range Expanded Under P3 Structure

- Central Utility Plants (“CUPs”)
- Micro-Grids/Renewable Energy
- District Heating and Cooling
- Traditional EE/LED Street Lighting Retrofit
- Waste Water Treatment Facilities
- Smart City Initiatives
 - ◆ Combined Revenue Drivers (EE savings plus +)
 - ◆ Isolated CAPEX and Supplemental Revenue Sharing

P3 FINANCING TOOLS: BASIC BUILDING BLOCKS

Municipal Sector Transaction



Tax-Exempt Debt

Public-Private Partnership



Taxable Debt



Tax Equity



Project Equity

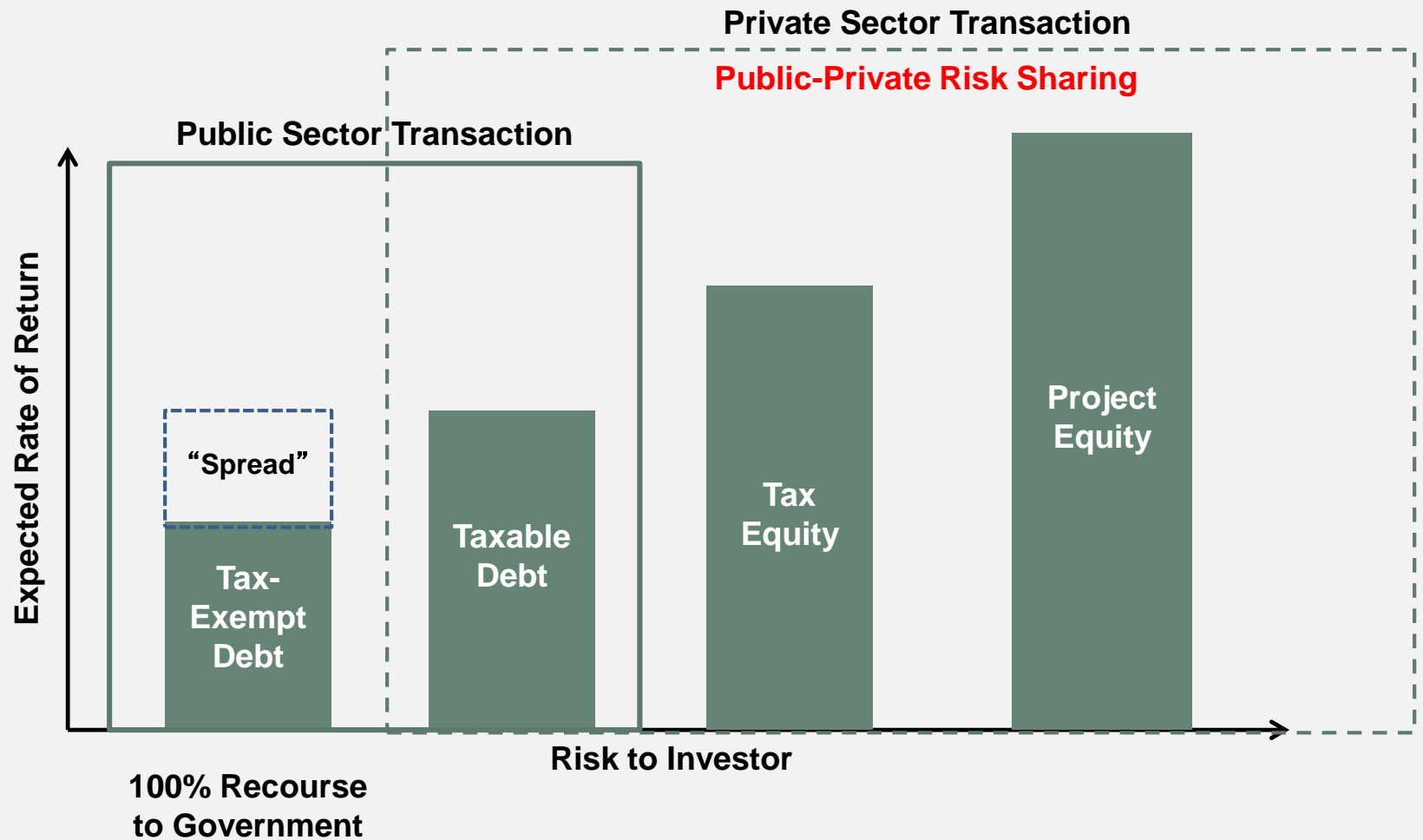
Tax-Exempt Debt

(with limitations)

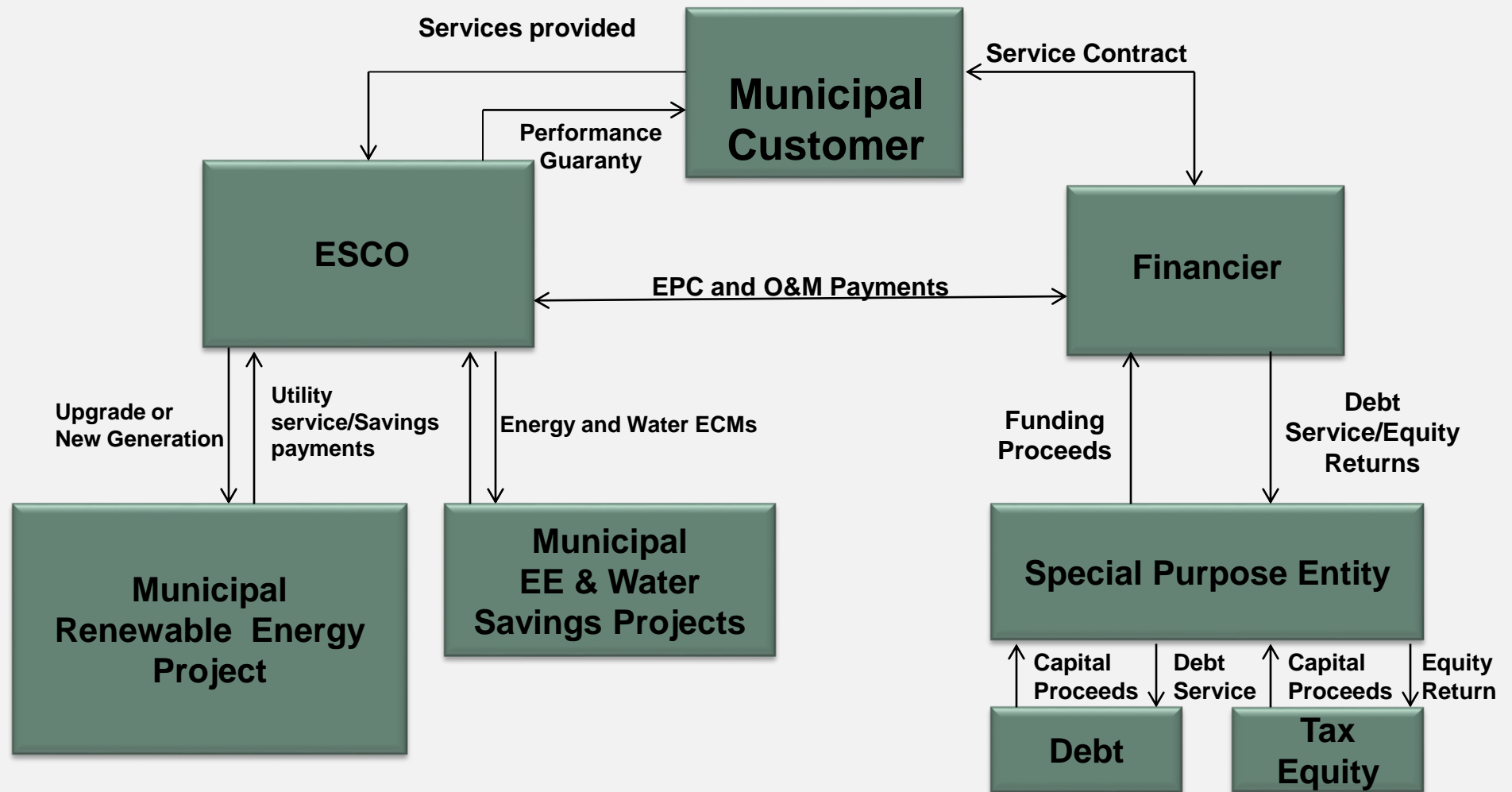
TAX-EXEMPT AND TAXABLE DEBT

- Tax Exempt—Public Sector Transaction
 - Retail investor driven investment product
 - Requires traditional credit/revenue streams
 - Generally must obtain a published credit rating
 - Fundamentals allow for 100% leverage and/or public entity can contribute cash equity
 - Public ownership is preferred/necessary
 - Debt Capacity is not an issue
 - “Public Offering” costs of issuance
 - Constrained by IRS Code Section 103(c) - Potential change in law
- Taxable Debt—Private Sector Transaction
 - Multiple institutional investor types/classes to access
 - Accommodates more diverse credit/revenue streams
 - A published credit rating not required
 - Maximum leverage is credit/structure driven
 - Private ownership is typical
 - “Private Placement/Loan” costs of issuance
 - Municipal vs. Corporate Taxable Markets

COST OF FUNDS



P3 FINANCING STRUCTURE-Energy Projects



P3 ACCOUNTING ISSUES & CONSIDERATIONS

- Certain service agreement structures meet “off-balance sheet” criteria
- Contract securitization structures with “non-recourse” debt
- Ownership structures that do not require accounting consolidation
- Consideration of new proposed Financing Accounting Standards Board/Lease Accounting
- Model to compare taxable and tax-exempt structures
- Tax exempt = debt on balance sheet and shifts ownership risk



OBSERVATIONS AND CONCLUSIONS

- P3 is not always the most efficient or economical structure
- Certain types of energy projects may allow “tax advantaged” structures that result in comparable cost
- P3 financing solution expands energy project universe
- P3 solutions are effective in delivering programmatic value
- P3 solutions often can deliver expanded project scope
- P3 alternatives will maintain existing bond ratings
- P3 alternatives will preserve capital for mission critical uses
- P3 allocation of risks and reward enhance project transparency
- P3 solution can speed speed up project delivery

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