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City of Bethlehem Memorandum

TO: Robert J. Donchez, City Council President
J. William Reynolds, Chairman, Finance Committee

FROM: Mark W. Sivak, Director of Budget & Finance *mws*

DATE: December 12, 2011

SUBJECT: Guaranteed Energy Savings Project

Attached are the municipal lease quote from Municipal Capital Corporation along with the amortization schedules from Concord Public Finance based on that lease quote.

The City has used Municipal Capital Corporation in the past. They were used when the City entered into a capital lease for the garbage truck in Parks and a number of years back when we did an energy savings project at the ice rink. They have also recently worked with the Bethlehem Parking Authority in completing a capital lease for the garage automation system and are currently work with the Parking Authority on a capital lease for smart sensor meters.

The type of financing proposed is an operating lease that functions like a capital lease. Just like a capital lease the equipment and fixtures being purchased are the collateral for the leasing company.

There were some questions on how the funds are handled and who maintains them. The way this lease would work is that Municipal Capital Corporation would maintain the funds in an interest bearing account for the City. As work is completed Constellation Energy would generate an invoice which the City would sign off on indicating the work was completed to satisfaction. Constellation Energy would then forward the invoice to Municipal Capital Corporation who would drawdown the funds from the account and pay the invoice(s). Therefore the funding would never pass through any City accounts.

Historically capital leases such as the one proposed above do not go to Finance Committee for approval. Due to being late in the year and wanting to lock in the rate and begin work on the projects we are requesting Council's approval to move forward with the lease.

If you have any questions please let me know.

cc: Members of Council
Mayor Callahan
D. Reichard
R. Carp
M. Holland

MUNICIPAL CAPITAL CORPORATION

THE MUNICIPAL FINANCE EXPERTS

461 Linden Street

ALLENTOWN, PA 18101

PHONE: (610) 820-0688 FAX: (610) 433-1272

joe@public-finance.com

MUNICIPAL LEASE QUOTE & TERMS

DATE: 12-5-11

LESSEE: CITY OF BETHLEHEM, PA

AMOUNT TO FINANCE: \$2,420,000.00

TYPE OF EQUIPMENT: ESCO SAVINGS PROJECT

TERM OF LEASE: 55 QUARTERLY LEASE PAYMENTS

PAYMENT FREQUENCY: LEASE COMMENCEMENT 1-15-2012,
QUARTERLY LEASE PAYMENTS, 1ST PAYMENT DUE 1-1-2013, \$1.00
DOLLAR BUYOUT

TERM OF LEASE %

55 QUARTERLY PAYMENTS 3.93%

PAYMENTS QUOTED ARE IN ARREARS UNLESS OTHERWISE STATED. THESE RATES ARE VALID IF TRANSACTION IS BANK QUALIFIED. THIS QUOTE IS VALID FOR 30 DAYS. THIS QUOTE IS SUBJECT TO CREDIT REVIEW, APPROVAL AND EXECUTION OF MUTUALLY ACCEPTABLE DOCUMENTATION. THANK YOU FOR GIVING US THE OPPORTUNITY TO PROVIDE YOU THIS LEASE QUOTE.

SINCERELY,

JOSEPH O'BRIEN



City of Bethlehem
Energy Savings Project Lease, Series of 2012
Sources and Uses

PRELIMINARY

Dated Date 1/15/2012
Settlement Date 1/15/2012

Sources

Lease Amount	2,420,000.00
Total	2,420,000.00

Uses

Project Costs	2,342,288.00
Capitalized Interest	67,630.93
Estimated Financing Costs	10,000.00
Miscellaneous	<u>81.07</u>
Total	2,420,000.00



City of Bethlehem
Lease Payment Schedule, Series of 2012
Energy Savings Project

PRELIMINARY

				Dated		1/15/2012			
1	2	3	4	5	6	7	8	9	
Date	Principal Component	Rate 3.930	Interest Component	Quarterly Lease Payment	Annual Lease Payment	Less Capitalized Interest	Net Annual Lease Payment	Net Project Year Lease	
1.15.2012									
4/1.2012		3.930	20,077.93	20,077.93		-20,077.93			
7/1.2012		3.930	23,776.50	23,776.50		-23,776.50			
10/1.2012		3.930	23,776.50	23,776.50	67,630.93	-23,776.50	0.00	0.00	
1/1.2013	21,500	3.930	23,776.50	45,276.50					
4/1.2013	21,700	3.930	23,565.26	45,265.26					
7/1.2013	21,900	3.930	23,352.06	45,252.06					
10/1.2013	22,200	3.930	23,136.89	45,336.89	181,130.72		181,100.72	181,130.72	
1/1.2014	23,800	3.930	22,918.78	46,718.78					
4/1.2014	24,000	3.930	22,684.94	46,684.94					
7/1.2014	24,300	3.930	22,449.14	46,749.14					
10/1.2014	24,500	3.930	22,210.40	46,710.40	186,863.26		186,863.26	186,863.26	
1/1.2015	26,200	3.930	21,969.68	48,169.68					
4/1.2015	26,500	3.930	21,712.27	48,212.27					
7/1.2015	26,700	3.930	21,451.91	48,151.91					
10/1.2015	27,000	3.930	21,189.58	48,189.58	192,723.43		192,723.43	192,723.43	
1/1.2016	32,000	3.930	20,924.30	52,924.30					
4/1.2016	32,400	3.930	20,609.90	53,009.90					
7/1.2016	32,700	3.930	20,291.57	52,991.57					
10/1.2016	33,000	3.930	19,970.30	52,970.30	211,896.07		211,896.07	211,896.07	
1/1.2017	34,900	3.930	19,646.07	54,546.07					
4/1.2017	35,300	3.930	19,303.18	54,603.18					
7/1.2017	35,600	3.930	18,956.36	54,556.36					
10/1.2017	36,000	3.930	18,606.59	54,606.59	218,312.19		218,312.19	218,312.19	
1/1.2018	38,000	3.930	18,252.89	56,252.89					
4/1.2018	38,400	3.930	17,879.54	56,279.54					
7/1.2018	38,800	3.930	17,502.26	56,302.26					
10/1.2018	39,100	3.930	17,121.05	56,221.05	225,055.72		225,055.72	225,055.72	
1/1.2019	41,300	3.930	16,736.89	58,036.89					
4/1.2019	41,700	3.930	16,331.12	58,031.12					
7/1.2019	42,100	3.930	15,921.41	58,021.41					
10/1.2019	42,500	3.930	15,507.78	58,007.78	232,097.20		232,097.20	232,097.20	
1/1.2020	44,700	3.930	15,090.22	59,790.22					
4/1.2020	45,100	3.930	14,651.04	59,751.04					
7/1.2020	45,600	3.930	14,207.93	59,807.93					
10/1.2020	46,000	3.930	13,759.91	59,759.91	239,109.10		239,109.10	239,109.10	
1/1.2021	48,300	3.930	13,307.96	61,607.96					
4/1.2021	48,800	3.930	12,833.42	61,633.42					
7/1.2021	49,300	3.930	12,353.96	61,653.96					
10/1.2021	49,700	3.930	11,869.58	61,569.58	246,464.92		246,464.92	246,464.92	
1/1.2022	52,100	3.930	11,381.28	63,481.28					
4/1.2022	52,600	3.930	10,869.40	63,469.40					
7/1.2022	53,100	3.930	10,352.60	63,452.60					
10/1.2022	53,700	3.930	9,830.90	63,530.90	253,934.18		253,934.18	253,934.18	
1/1.2023	56,100	3.930	9,303.29	65,403.29					
4/1.2023	56,700	3.930	8,752.11	65,452.11					
7/1.2023	57,200	3.930	8,195.03	65,395.03					
10/1.2023	57,800	3.930	7,633.04	65,433.04	261,683.48		261,683.48	261,683.48	
1/1.2024	60,400	3.930	7,065.16	67,465.16					
4/1.2024	61,000	3.930	6,471.73	67,471.73					
7/1.2024	61,600	3.930	5,872.40	67,472.40					
10/1.2024	62,200	3.930	5,267.13	67,467.13	269,876.47		269,876.47	269,876.47	
1/1.2025	64,800	3.930	4,656.07	69,456.07					
4/1.2025	65,500	3.930	4,019.41	69,519.41					
7/1.2025	66,100	3.930	3,375.87	69,475.87					
10/1.2025	66,800	3.930	2,726.44	69,526.44	277,977.78		277,977.78	277,977.78	
1/1.2026	69,600	3.930	2,070.13	71,670.13					
4/1.2026	70,200	3.930	1,336.31	71,586.31					
7/1.2026	70,900	3.930	696.59	71,596.59					
10/1.2026		3.930	0.00	0.00	214,853.03		214,853.03	214,853.03	
Totals	2,420,000		959,608.46	3,279,608.46	3,279,608.46	-67,630.93	3,211,977.53	3,211,977.53	

**City of Bethlehem
Lease Payment Schedule, Series of 2012
Savings Summary - Based On Constellation Energy Pro-forma**

10	11	12	13	14	15	16	17	18	19
Project Year	Project Year Begin	Project Year End	Utility Savings <i>(Information from Constellation Energy)</i>	O&M Savings	Less: Service Fee	Net Projected Available Savings <i>(sum of 13 thru 15)</i>	Project Year Net Lease Payments	Savings.(Cost) After Lease Payments <i>(16 minus 17)</i>	Cumulative Savings
Construction	1/15/2012	- 9/30/2012					0.00	0.00	0.00
1	10/1/2012	- 9/30/2013	154,226.00	44,476.00	(12,240.00)	186,462.00	181,130.72	5,331.28	5,331.28
2	10/1/2013	- 9/30/2014	158,852.78	46,810.28	(12,485.00)	192,178.06	196,863.26	5,314.80	10,646.09
3	10/1/2014	- 9/30/2015	163,618.36	47,184.59	(12,734.00)	198,068.95	192,723.43	5,345.52	15,991.61
4	10/1/2015	- 9/30/2016	168,526.91	48,600.13		217,127.04	211,896.07	5,230.97	21,222.57
5	10/1/2016	- 9/30/2017	173,582.72	50,058.13		223,640.85	218,312.19	5,328.66	26,551.24
6	10/1/2017	- 9/30/2018	178,790.20	51,559.87		230,350.08	225,055.72	5,294.36	31,845.60
7	10/1/2018	- 9/30/2019	184,153.91	53,106.67		237,260.58	232,097.20	5,163.38	37,008.98
8	10/1/2019	- 9/30/2020	189,678.53	54,699.87		244,378.40	239,109.10	5,269.29	42,278.27
9	10/1/2020	- 9/30/2021	195,368.88	56,340.87		251,709.75	246,464.92	5,244.83	47,523.11
10	10/1/2021	- 9/30/2022	201,229.95	58,031.09		259,261.04	253,934.18	5,326.87	52,849.97
11	10/1/2022	- 9/30/2023	207,266.85	59,772.02		267,038.87	261,683.48	5,355.39	58,205.37
12	10/1/2023	- 9/30/2024	213,484.85	61,565.19		275,050.04	269,876.47	5,173.57	63,378.94
13	10/1/2024	- 9/30/2025	219,839.40	63,412.14		283,301.54	277,977.78	5,323.76	68,702.70
14	10/1/2025	- 7/1/2026	169,964.66	48,989.88		218,954.44	214,853.03	3,997.41	72,700.11
Totals			3,573,633.91	743,602.73	(37,459.00)	3,384,677.64	3,211,977.93	172,700.11	

Present Value of Net Project Savings: 15,225.63