

TUSD

Energy Projects Up-Date

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TUSD Energy Projects Three Tiered Approach

No increase in Operations Departments budgets to fund these programs

- Tier 1 – Solar project
 - Annual savings of \$170,000
- Tier 2 – Energy Performance Contracting (EPC)
 - Annual savings estimated at \$2,200,000
- Tier 3 – Energy Management and Conservation
 - Annual savings estimated at \$500,000

Energy Performance Contracting

- ARS 15-213.01 / HB2332 is authorization
 - Allows lease-purchase of capital equipment using energy savings for loan repayment
 - Payments for up to a maximum of 25 years
 - SFB/Grants/ARRA/QZAB all possible funding sources
 - All require investment grade energy audit
 - Method to replace aging capital equipment

Energy Performance Contracting

- Request for Qualification (RFQ) - Completed
- Energy Service Company (ESCO) - Selected
- Investment Grade Audit (IGA) - Received
 - Completed by Professional Engineer
 - Capital equipment identified for replacement
 - Validate energy reductions will cover obligations
 - Guaranteed Savings
- Reduced energy use-guaranteed by ESCO
 - Reduction in utility cost MUST fund lease/purchase

Energy Performance Steps Ahead

- Completion of Investment Grade Audit
 - Scope reviewed and approved by District staff
 - Third Party Review to validate savings
- Financing
 - Governing Board approval
- Construction phase
 - Construction oversight by District personnel
 - Commissioning by Third Party
- Measurement and Performance phase
 - Measurement and Verification of energy reduction (M&V)

Risk/Reward

- Risks
 - Term of contract (15 years)
 - Energy reduction not being sustained
 - Mediation is Tier 3
 - TUSD ability to perform maintenance
 - Mediation is Tier 3
- Rewards
 - Significant replacement of aged capital equipment
 - Very low interest rates
 - Workforce training included
 - Reduction in energy used



Tier 3 - Energy Management and Conservation - RFP Due April 29

- RFP for Energy Management and Conservation
 - Scope
 - Certified Energy Manager
 - Energy Management and Controls experience
 - Organization behavior based energy conservation
 - Equipment optimization and maintenance checked
 - Controls scheduling and optimization
 - Energy Management software for M&V
 - Energy Star Certification of sites a goal



Tier 3 - Energy Management and Conservation (Cont.)

- RFP for Energy Management and Conservation
 - Cost
 - Shared Savings method
 - Vendor must demonstrate savings over and above EPC
 - District utility savings funds contract

Energy Performance Financing

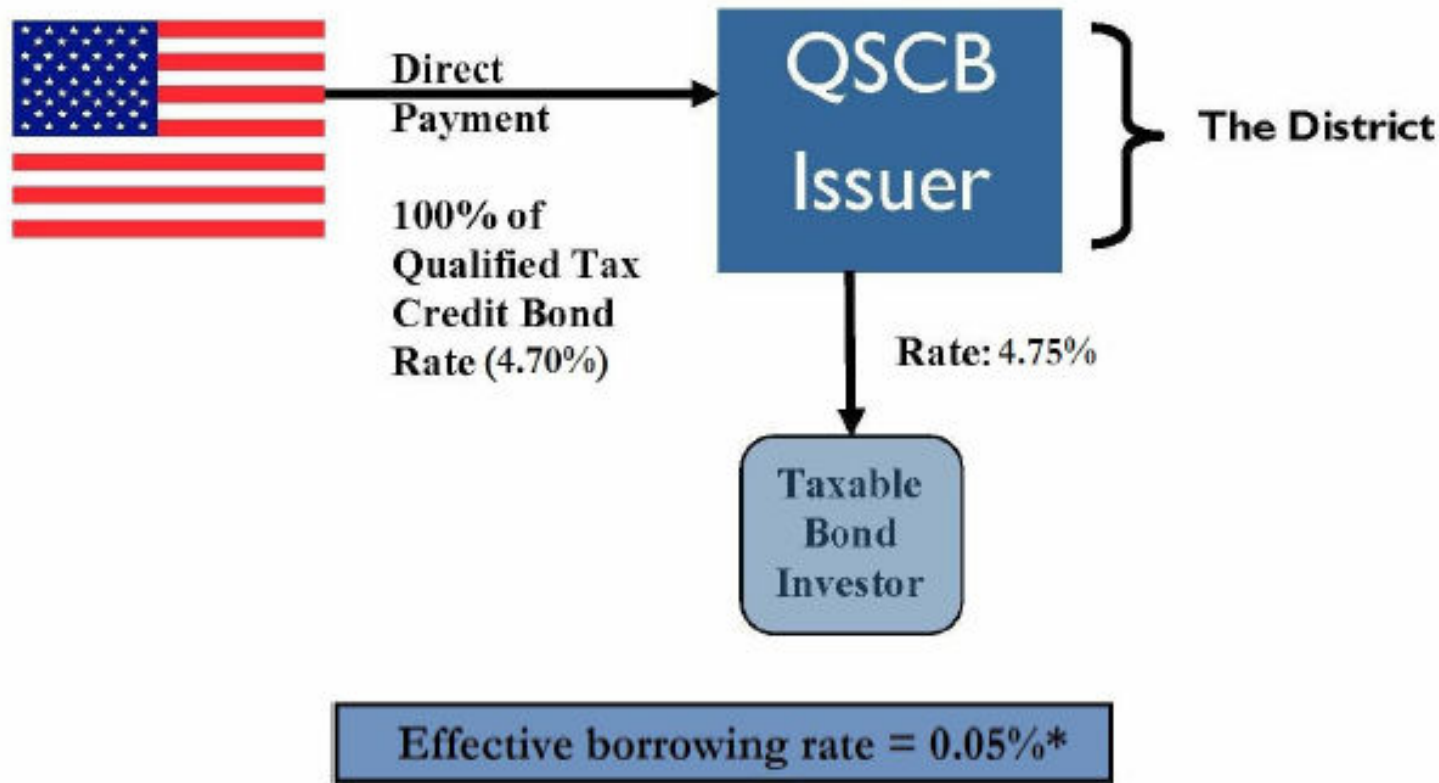
QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCBS)

- Authorized under the American Recovery and Reinvestment Act of 2009
- Program objective was to Boost the economy and jobs by providing interest rate subsidy for public construction projects and helping cash strapped school districts
- \$11 billion of bond authority allocated in 2010 and 2011 by the Treasury Department and Department of Education
- Each state granted QSCB allocations with the largest school districts (including Tucson USD) getting direct allocation
- Program was discontinued in 2012 due to cost and federal budget deficit
- QSCB allocation to both the State and large school districts roll over indefinitely until the allocation is exhausted
- ARS 15-213.01 / HB2332 allows lease-purchase of capital equipment using energy savings for loan payments
 - Payments for up to a maximum of 25 years
 - Applies to various funding sources SFB/Grants/ARRA/QZAB
 - All require investment grade energy audit

Energy Performance Financing

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCBS)

- Taxable interest rates less direct-pay federal subsidy rate



TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA

TAXABLE QSCBs EQUIPMENT/LEASE PURCHASE FINANCING (PRIVATE PLACEMENT)

ESTIMATED LEASE PAYMENT SCHEDULE*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Taxable Equipment/Lease Purchase Financing (Qualified School Construction Bonds - Direct Payment)							TOTAL				
Fiscal Year	Principal	Coupon	Interest	Qualified QSCB Rate (a)(i)	Net Effective Rate	Subsidized Interest (a)(ii)(b)	Net Effective Interest	Principal	Interest	Subsidized Interest (a)(ii)(b)	Net Effective Interest (b)	Annual Amounts to be Budgeted
1/1/2015			845,430.73			836,531.46	8,899.27		845,430.73		845,430.73	
7/1/2015	1,615,000.00	4.750%	822,581.25	4.700%	0.050%	813,922.50	8,658.75	1,615,000.00	822,581.25	836,531.46	(13,950.21)	2,446,480.52
1/1/2016			784,225.00			775,970.00	8,255.00		784,225.00	813,922.50	(29,697.50)	
7/1/2016	1,715,000.00	4.750%	784,225.00	4.700%	0.050%	775,970.00	8,255.00	1,715,000.00	784,225.00	775,970.00	8,255.00	1,693,557.50
1/1/2017			743,493.75			735,667.50	7,826.25		743,493.75	775,970.00	(32,476.25)	
7/1/2017	1,795,000.00	4.750%	743,493.75	4.700%	0.050%	735,667.50	7,826.25	1,795,000.00	743,493.75	735,667.50	7,826.25	1,770,350.00
1/1/2018			700,862.50			693,485.00	7,377.50		700,862.50	735,667.50	(34,805.00)	
7/1/2018	1,880,000.00	4.750%	700,862.50	4.700%	0.050%	693,485.00	7,377.50	1,880,000.00	700,862.50	693,485.00	7,377.50	1,852,572.50
1/1/2019			656,212.50			649,305.00	6,907.50		656,212.50	693,485.00	(37,272.50)	
7/1/2019	1,970,000.00	4.750%	656,212.50	4.700%	0.050%	649,305.00	6,907.50	1,970,000.00	656,212.50	649,305.00	6,907.50	1,939,635.00
1/1/2020			609,425.00			603,010.00	6,415.00		609,425.00	649,305.00	(39,880.00)	
7/1/2020	2,065,000.00	4.750%	609,425.00	4.700%	0.050%	603,010.00	6,415.00	2,065,000.00	609,425.00	603,010.00	6,415.00	2,031,535.00
1/1/2021			560,381.25			554,482.50	5,898.75		560,381.25	603,010.00	(42,628.75)	
7/1/2021	2,160,000.00	4.750%	560,381.25	4.700%	0.050%	554,482.50	5,898.75	2,160,000.00	560,381.25	554,482.50	5,898.75	2,123,270.00
1/1/2022			509,081.25			503,722.50	5,358.75		509,081.25	554,482.50	(45,401.25)	
7/1/2022	2,265,000.00	4.750%	509,081.25	4.700%	0.050%	503,722.50	5,358.75	2,265,000.00	509,081.25	503,722.50	5,358.75	2,224,957.50
1/1/2023			455,287.50			450,495.00	4,792.50		455,287.50	503,722.50	(48,435.00)	
7/1/2023	2,375,000.00	4.750%	455,287.50	4.700%	0.050%	450,495.00	4,792.50	2,375,000.00	455,287.50	450,495.00	4,792.50	2,331,357.50
1/1/2024			398,881.25			394,682.50	4,198.75		398,881.25	450,495.00	(51,613.75)	
7/1/2024	2,485,000.00	4.750%	398,881.25	4.700%	0.050%	394,682.50	4,198.75	2,485,000.00	398,881.25	394,682.50	4,198.75	2,437,585.00
1/1/2025			339,862.50			336,285.00	3,577.50		339,862.50	394,682.50	(54,820.00)	
7/1/2025	2,605,000.00	4.750%	339,862.50	4.700%	0.050%	336,285.00	3,577.50	2,605,000.00	339,862.50	336,285.00	3,577.50	2,553,757.50
1/1/2026			277,993.75			275,067.50	2,926.25		277,993.75	336,285.00	(58,291.25)	
7/1/2026	2,725,000.00	4.750%	277,993.75	4.700%	0.050%	275,067.50	2,926.25	2,725,000.00	277,993.75	275,067.50	2,926.25	2,669,635.00
1/1/2027			213,275.00			211,030.00	2,245.00		213,275.00	275,067.50	(61,792.50)	
7/1/2027	2,855,000.00	4.750%	213,275.00	4.700%	0.050%	211,030.00	2,245.00	2,855,000.00	213,275.00	211,030.00	2,245.00	2,795,452.50
1/1/2028			145,468.75			143,937.50	1,531.25		145,468.75	211,030.00	(65,561.25)	
7/1/2028	2,990,000.00	4.750%	145,468.75	4.700%	0.050%	143,937.50	1,531.25	2,990,000.00	145,468.75	143,937.50	1,531.25	2,925,970.00
1/1/2029			74,456.25			73,672.50	783.75		74,456.25	143,937.50	(69,481.25)	
7/1/2029	3,135,000.00	4.750%	74,456.25	4.700%	0.050%	73,672.50	783.75	3,135,000.00	74,456.25	73,672.50	783.75	3,066,302.50
1/1/2030										73,672.50	(73,672.50)	
7/1/2030												(73,672.50)
	<u>34,635,000.00</u>		<u>14,605,824.48</u>			<u>14,452,078.96</u>	<u>153,745.52</u>	<u>34,635,000.00</u>	<u>14,605,824.48</u>	<u>14,452,078.96</u>	<u>153,745.52</u>	<u>34,788,745.52</u>

* Based on certain financing assumptions, and subject to change.

- (a) The amount of a Direct Payment for a qualified school construction bond with respect to any Interest Payment Date is equal to the lesser of:
- (i) the amount of interest payable on such Interest Payment Date; or
 - (ii) the amount of interest which would have been payable on such Interest Payment Date if such interest were determined at the applicable tax credit rate determined in accordance with Section 54A(b)(3) of the Internal Revenue Code of 1986, as amended.

Direct Payment subsidy calculated using 100% of the current Qualified Tax Credit Bond rate of 4.70% as of April 22, 2014.
<https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDate.htm>

- (b) First interest payment due calculated without application of Qualified Tax Credit Rate as levy will be set using 100% of lease payments due in fiscal year. Subsequent years show federal tax subsidy on interest payments calculated for the prior payment date.

Financing Calendar

April 2014							May 2014							June 2014						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
		1	2	3	4	5					1	2	3							
6	7	8	9	10	11	12	4	5	6	7	8	9	10	1	2	3	4	5	6	7
13	14	15	16	17	18	19	11	12	13	14	15	16	17	8	9	10	11	12	13	14
20	21	22	23	24	25	26	18	19	20	21	22	23	24	15	16	17	18	19	20	21
27	28	29	30				25	26	27	28	29	30	31	22	23	24	25	26	27	28
														29	30					

Date	Event	Responsible Party
Completed	Conference call to discuss financing structure and timing of Project.	All Parties
Completed	Distribute draft Authorizing Resolution and related financial legal documents distributed for review and comments.	GR
Completed	Board Packets Due.	
April 29 th	Governing Board considers an Authorizing Resolution authorizing the Taxable QSCBs Equipment Lease/Purchase Agreement granting authority to the Deputy Superintendent of Operations and/or the Chief Financial Officer to approve the final terms and conditions of the Lease, to take all steps necessary to complete the financing and directing SN as Financial Advisor to complete the financing.	TUSD, SN, GR
April 30 th	Finalize financing term sheet and lease/purchase package. Distribute to potential purchasers.	SN
May 9 th	Receive proposed interest rates, terms and conditions from potential purchasers.	SN

Financing Calendar (continued)

April 2014							May 2014							June 2014						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
		1	2	3	4	5					1	2	3							
6	7	8	9	10	11	12	4	5	6	7	8	9	10	1	2	3	4	5	6	7
13	14	15	16	17	18	19	11	12	13	14	15	16	17	8	9	10	11	12	13	14
20	21	22	23	24	25	26	18	19	20	21	22	23	24	15	16	17	18	19	20	21
27	28	29	30				25	26	27	28	29	30	31	22	23	24	25	26	27	28
														29	30					

Date	Event	Responsible Party
Week of May 19 th	Final numbers and draft legal documents distributed to Team.	SN, GR
Week of May 26 th	Comments due on legal documents.	All Parties
Week of June 2 nd	Due diligence conference call.	All Parties
Week of June 9 th	Final credit approval obtained.	P
Week of June 23 rd	Close financing. Wire funds to close transaction.	All Parties

Financing Team:

TUSD	-	Tucson Unified School District No. 1 - Issuer
GR	-	Gust Rosenfeld P.L.C. - Special Counsel
SN	-	Stifel, Nicolaus & Company, Incorporated - Financial Advisor
ESCOs	-	Ameresco Southwest, Inc. Climatec Building Technologies Group Honeywell Building Solutions Midstate Energy
E	-	[TBD] - Independent/3 rd Party Engineer
P	-	[TBD] - Purchaser
EA	-	[TBD] - Escrow Agency/Filing Agent

Financing Team

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[TBD]

Independent/3rd Party Engineer:

[TBD]



Questions