

CDFA Michigan Financing Roundtable Webcast: Lighting the Way to Redevelopment – Financing Strategies for Streetlights

The Broadcast will begin at 1:00pm (EST).

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Financing Strategies for Streetlights

Katie Kramer

Director, Education & Programs
Council of Development Finance Agencies
Columbus, OH



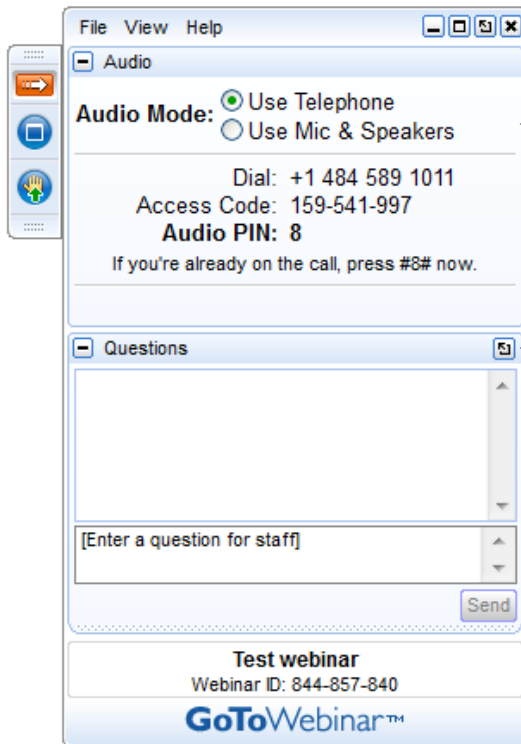
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Financing Strategies for Streetlights



The screenshot shows a GoToWebinar window with a menu bar (File, View, Help) and a sidebar with icons for audio, video, and chat. The main content area has two sections: 'Audio' and 'Questions'. The 'Audio' section includes radio buttons for 'Use Telephone' (selected) and 'Use Mic & Speakers', along with dialing information: 'Dial: +1 484 589 1011', 'Access Code: 159-541-997', and 'Audio PIN: 8'. A note says 'If you're already on the call, press #8# now.' The 'Questions' section has a text input field with the placeholder '[Enter a question for staff]' and a 'Send' button. At the bottom, it says 'Test webinar', 'Webinar ID: 844-857-840', and the 'GoToWebinar™' logo.

Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

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Financing Strategies for Streetlights

Speakers

Julie Metty Bennett
Michigan Saves

Susan Pollay
Ann Arbor Downtown Development
Authority

John Kamins
Foster, Swift, Collins & Smith PC

Bennett Johnson III
GSI Networks



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Financing Strategies for Streetlights

Julie Metty Bennett

**Executive Director
Michigan Saves
Lansing, MI**



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Michigan Saves: Financing Street Lights

Julie Metty Bennett, *Executive Director*

CDFA Webinar
December 2012



What Is Michigan Saves?



Residential



Municipal



Business

What are we investing in?



Current Structure



Key Michigan Saves roles:

- Provide credit enhancements
- Oversee authorized contractors
- Drive demand for energy efficiency
- Set program guidelines and monitor impacts

Current Programs



Home Energy Loan Program

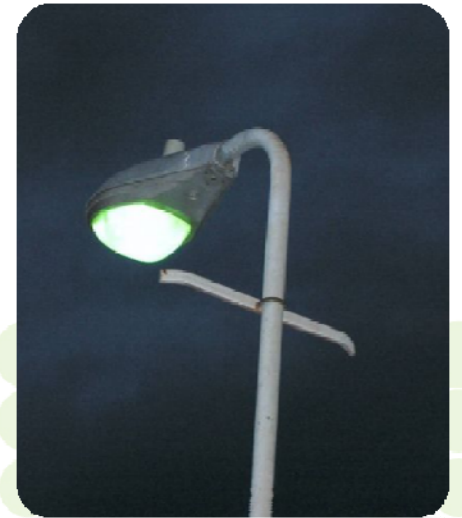
Easy. Affordable. Smart.



www.michigansaves.org

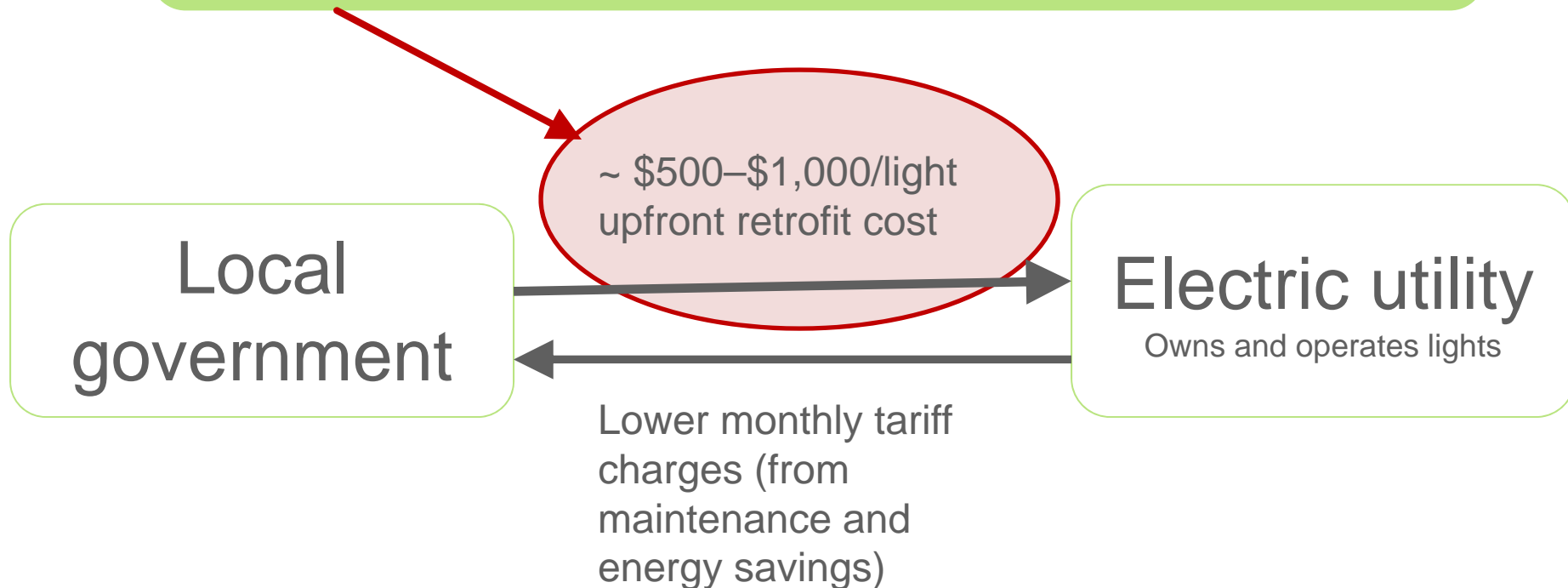
Street Lights: The Opportunity

- Street lights inefficient and costly
- Phase-out of Hg vapor lights
 - ~ 170,000 on DTE and Consumers system
- Energy-efficient alternatives
- Over \$100 M investment opportunity in MI



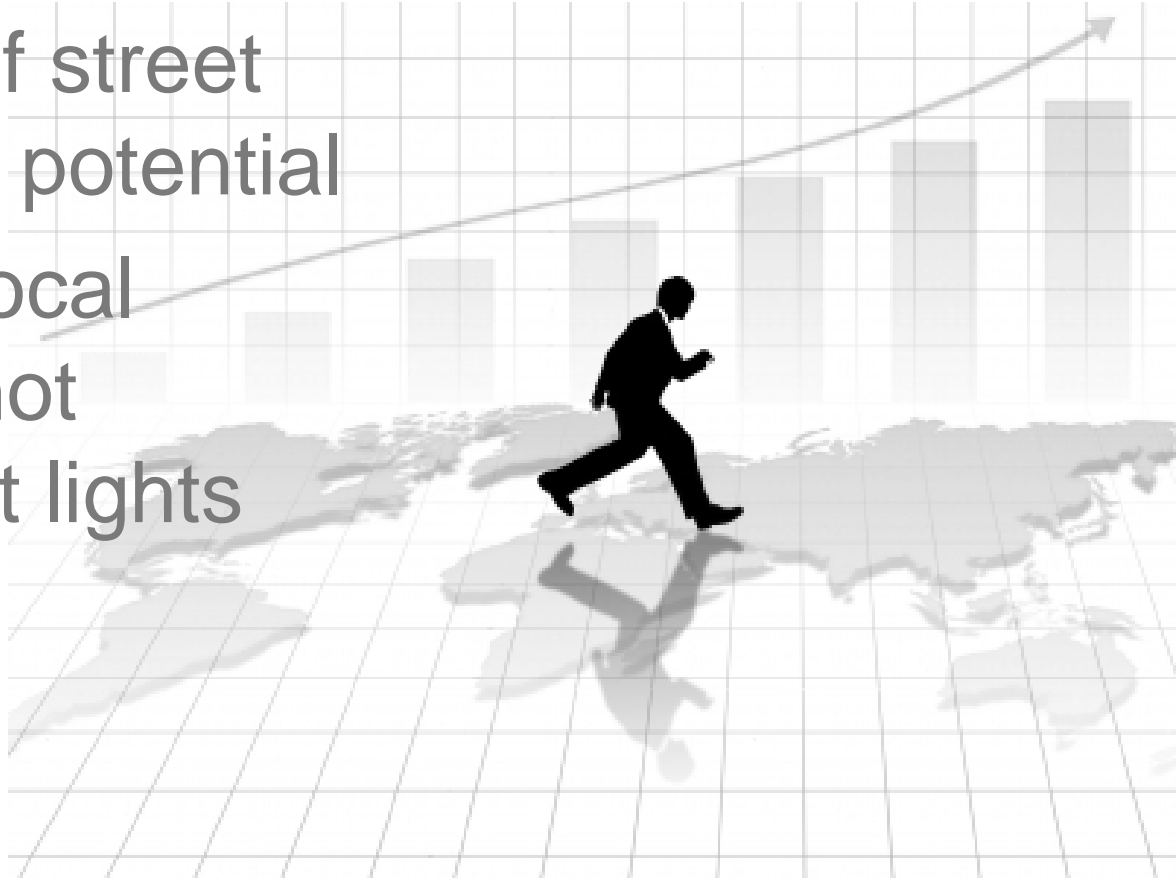
But...Financing Challenge

Can local government finance if utility still owns new lights?



Walk Before Running

- Michigan Saves financing for **municipally owned** street lights (not utility owned)
- Small subset of street lighting market potential
- Financing for local governments not limited to street lights



Municipal/Schools Program: Under Development

- **Eligible entities:** Local and state governmental entities and public schools
- **Financing vehicle:** Installment purchase agreements
 - Pursuant to PA 99 (1933) and PA 156 (1851)
 - Streamlined approval and documentation
 - Firm-term contracts
- Finance amounts of \$5,000 to >\$1M with rates from high 3%

Eligible Improvements

- Energy efficiency and renewable energy
 - Indoor or outdoor lighting, including parking lots and **municipally owned** street lights
 - HVAC, refrigeration, and more
 - Solar PV
- Installed by Michigan Saves authorized contractors
- Pick from à la carte pre-screened measures or audit track

Turnkey Process

1. Find an authorized contractor and identify upgrades

2. Apply for financing through lender and execute financing agreement

3. Contractor installs upgrades and gets paid by lender after work is completed

Michigan Saves QA

Follow-up and Contacts

- Expect to pilot muni/school program in early 2013
- Contact information
 - Website: www.michigansaves.org
 - (734) 494-2190
 - Julie Metty Bennett, Executive Director
 - jbennett@michigansaves.org
 - Sally Talberg, Manager Program Design
 - stalberg@pscinc.com

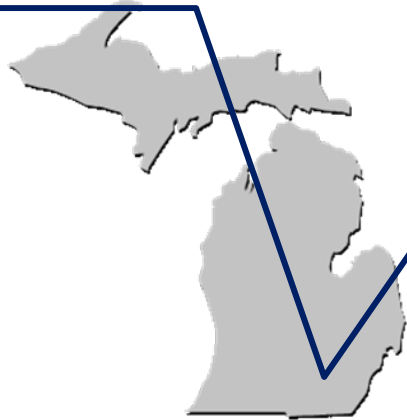
Financing Strategies for Streetlights

Susan Pollay

Executive Director

Ann Arbor Downtown Development Authority

Ann Arbor, MI



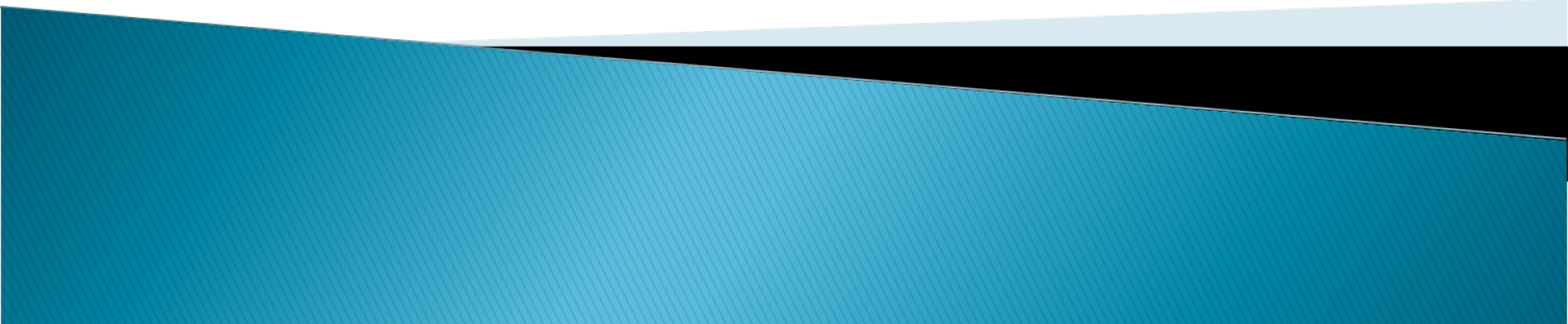
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**Ann Arbor Downtown Development Authority
Ann Arbor, Michigan
Downtown Street Light LED Retrofit**

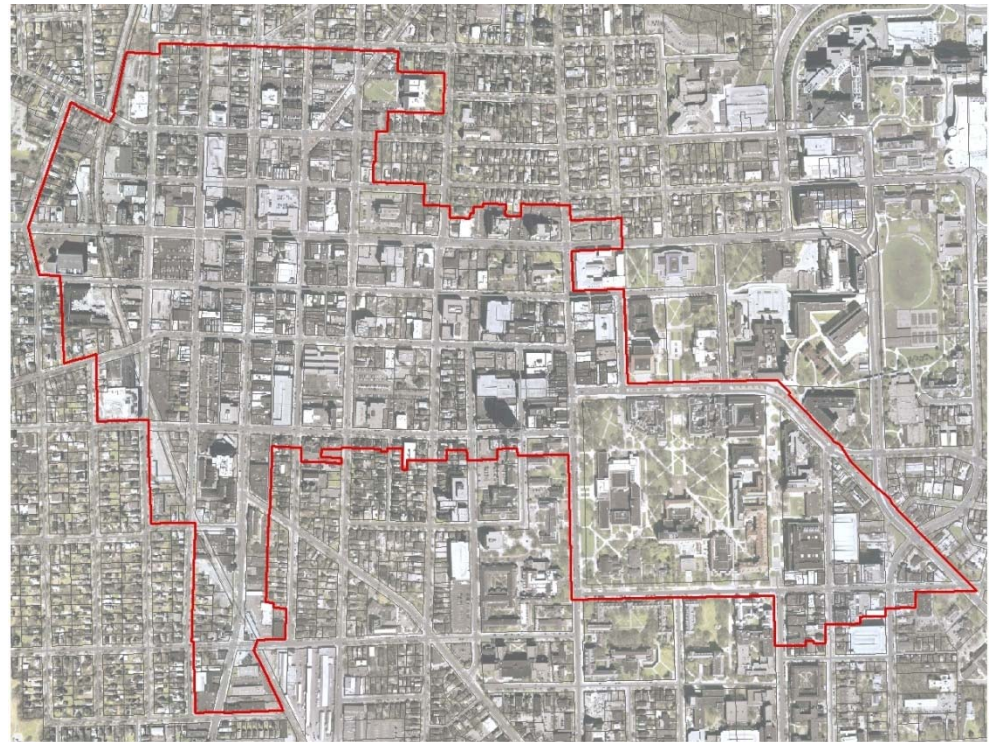


Nearly all Michigan cities (as well as many townships & villages with a commercial core) have created a DDA.
Each DDA has a unique Development Plan.

The A2 DDA mission is to “undertake public improvements that have the greatest impact in strengthening the downtown area and attracting new private investments.”

One strategy to meet this mission: sustainability.

The DDA aspires to make downtown the sustainable heart of a sustainable city



Sustainability as a Key Development Strategy

The A2 DDA strives to integrate sustainability elements in all its projects.

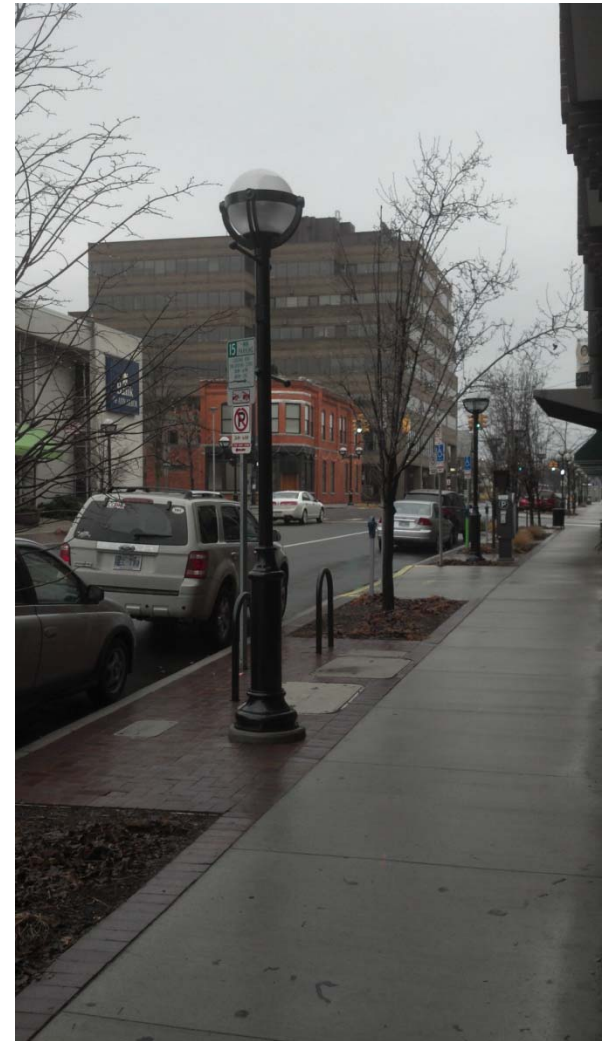
E.g. to encourage downtown businesses, the DDA funds free employee bus passes & provides bike parking, electric vehicle charging units, and free energy audits.



Sustainability as a Key Development Strategy

In its 2006/7 budget, Ann Arbor City Council established a downtown “Lighting Assessment District” to generate additional General Fund dollars to cover its increasing electric costs.

Very concerned about the impact this new lighting assessment would have on the cost of doing business downtown, the DDA met with City staff & others to find a better option.



Sustainability as a Key Development Strategy

It was determined that the City could save approx \$100/year in energy and maintenance costs if the downtown globe street lights were retrofit to LED.

The cost to retrofit each light was \$450, with an est'd 4 year payback.

With 1,400 globe lights to be retrofit, the DDA provided the City with a \$630,000 grant.



Sustainability as a Key Development Strategy

In 2007 Ann Arbor was the first downtown in the U.S. to have 100% of its city-owned downtown streetlights converted to LED.

City estimates it now saves \$100,000/year in maintenance costs from the downtown street globes.

Besides cost savings, LEDs provides greater directionality; reducing light pollution.

In 2008 an Energy Globe Awards Ceremony in South Africa recognized A2's downtown LED project with a World Energy Globe Award for Sustainability



Sustainability as a Key Development Strategy

After downtown's retrofit, the city began the process of converting all city-owned streetlights to LED.

By 2012 total is approx 2,000 streetlights.

Funding came from sources e.g.: Energy Efficiency & Conservation Block Grant from the U.S. Department of Energy and DTE's "Your Energy Savings" program.

Besides the City-owned streetlights, DTE Energy owns 5,000 streetlights in the city which have not been converted to LED.



Additional information on the City of Ann Arbor's multi-year street light conversion to LED:

City of Ann Arbor website:

http://www.a2gov.org/government/publicservices/systems_planning/energy/LED/Pages/LEDStreetlights.aspx

<http://www.a2gov.org/news/Pages/NewLEDStreetlights.aspx>

Ann Arbor Downtown Development Authority

www.a2dda.org



Financing Strategies for Streetlights

John Kamins

Partner

Foster, Swift, Collins & Smith PC

Lansing, MI



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Lighting the Way to Redevelopment

*Bonds and Other Public Financing for
Streetlights*

CDFA Michigan Financing Roundtable Webcast
December 17, 2012

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Breaking News:

Enabling Legislation for a City of Detroit Municipal Lighting Authority

- Dec. 13, 2012: Mich. Legislature acts on 3-bill package of interrelated enabling legislation
- Expected to be signed by Governor Rick Snyder with immediate effect
- House Bill 5688 allows City of Detroit (“*City*” or “*Detroit*”) to form a Detroit lighting authority (“*DLA*”) to acquire, own, improve, construct, operate & maintain a lighting system & provide lighting services



Detroit Lighting Authority (House Bill 5688, cont'd)

- Responsibility for public lighting of Detroit city streets will move from City to DLA, a public municipal corporation
- DLA Board of 5 City residents – 2 Mayoral appointees, 2 City Council appointees, & 1 appointed by City Council from 3 names provided by Mayor
- DLA can borrow money & issue revenue bonds for acquiring, constructing & improving Detroit public lighting system



Detroit Lighting Authority (House Bill 5688, cont'd)

- DLA revenue bonds must be sold to Michigan Finance Authority
- Total principal of DLA revenue bonds cannot exceed 5% of total state equalized valuation (SEV) of assessed property in Detroit
- DLA bonds payable, under a DLA contract with City, from:
 - City's pledge of revenues receivable under City Utility Users Tax Act, subject to a \$12.5 million cap on total annual debt service on all outstanding DLA revenue bonds thus secured



Detroit Lighting Authority (House Bill 5688, cont'd)

- DLA bonds also can be payable from other revenues, under its contract with City, from:
 - Charges to users for services furnished by the lighting system
 - Levy of special assessments
 - Receipt of other funds that could be validly so used
- DLA bonds also can be secured by City's full faith and credit pledge – limited tax or unlimited tax with voter approval (though not feasible currently)



Detroit Lighting Authority (cont'd)

- House Bill 5705 amends City Utility Users Tax Act (under which Detroit levies up to a 5% tax on payments for certain utility services, ordinarily restricted to use for hiring or retaining police officers), so that:
 - City must pay \$12.5 million to DLA each year from utility users tax receipts
 - Such utility users tax revenues pledged to pay DLA bonds must be deposited & used under a required Trust Indenture



Detroit Lighting Authority (cont'd)

- Senate Bill 970 amends City Income Tax Act to continue Detroit local income tax rate at 2.4% for residents (1.2% for nonresidents)
- Otherwise, the rate would have dropped due to City's population loss, by 0.2% for residents (0.1% for nonresidents)
- Dedicates that 0.2% (and 1%) amount of tax revenue to the City police budget until DLA debt is fully paid & City Utility Users Tax revenues no longer are pledged to DLA
- Reduces tax rates by 0.2% for residents & 0.1% for nonresidents on January 1 of the first year after DLA debt has been fully paid



Conventional Public Financing for Streetlights

- Downtown Development Authority Act, 1975 PA 197, as amended
 - “Public Facility” includes streetlights
 - Tax Increment Financing Plan
 - Tax Increment Revenue Bonds
 - Revenue bonds secured by municipality’s limited tax full faith and credit pledge
- Other Michigan TIF Statutes
- Special Assessments



Speaker Information

John Kamins is a shareholder with Foster Swift Collins & Smith, PC, and leads its practice as a Michigan bond counsel firm. He has been bond counsel to the State of Michigan, Michigan Financing Authority, Michigan Strategic Fund, cities, counties, townships, school districts and other local bond issuers.

He has over 35 years' public finance experience representing diverse clients in bond and note financings and refundings in Michigan, 16 other states and Puerto Rico.

He invented and was structuring & underwriters' counsel for the City of Detroit \$1.44 billion pension funding securities, nationally honored as *The Bond Buyer* 2005 Midwest Deal of the Year.

He is recognized in *Who's Who in America*, *Best Lawyers in America* and *Who's Who in American Law*.

He received his BA in History with High Honors and Distinction from the University of Michigan and his Juris Doctorate from the University of Michigan Law School. He is admitted to practice law in Michigan and Florida.

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Financing Strategies for Streetlights

Bennett Johnson III

Principal & Director of Finance

GSI Networks

Chicago, IL



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The Sustainable P3 for Forest Park, Illinois

Project Scope

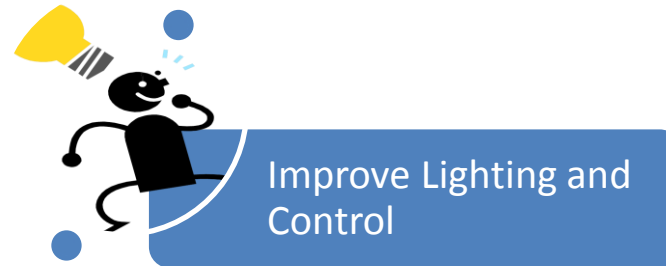
- Over 1,400 Street Upgrade
- Residential, Main thoroughfares, Alley lights
- Four LED Traffic Signal upgrades
- State Enhanced Efficiency Incentive
- \$1.7 Million Total Cost

Why Street Lights

- Untapped energy asset
- Aging infrastructure
- Maintenance already outsourced

Timeline

- One year of discussion
- Six Month Stakeholder Support Building
- Six Month Procurement Process
- Six Month Audit
- Four Month Implementation



Bennett Johnson III, Director
bjjiii@gsi-networks.com

Energy & Maintenance Saving Opportunities



Street
Lighting

66% Savings



Traffic
Signal

90% Savings



Alley Way
Lighting

85% Savings

The upgraded LED infrastructure has significantly less maintenance and will have an immediate impact on annual expenses. The new LED fixtures have a 10 year warranty on parts and labor.

Rigorous Fixture Testing

IES Magazine LD&A published NYC 2011 FDR Drive Study –
Which compared four participants replacing 150 W HPS fixtures



IP66 Rated - O-Ring Sealed

- ANSI/IEC 60529
- Dust and water jet tight seal
- Gortex™ air filter

On/Off Cycling

- 85,000 times
- Equal to 233 years



Aerodynamic Body Design

- Tested in Category 5 Hurricane Winds
- Effective Projected Area (EPA) SAT-S: 0.509 ft²(0.047m²); SAT-M: 0.699 ft²(0.065m²)



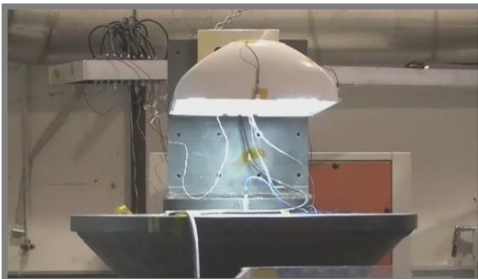
Salt Spray Tested

- ASTM B117



Vibration Performance

- ANSI C136.31-2001 Testing
- 100,000 cycles at Bridge or Overpass frequency (5Hz-30Hz)
- 3G rating



Thermal Cycling

- More than 130 cycles
- 1 cycle = - 40°C / - 40°F to 60°C / 140°F to - 40°C / - 40°F

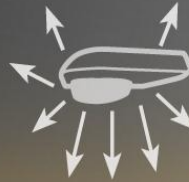


Light Distribution Comparison

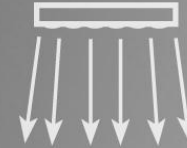
Light Distribution Comparison



LED Roadway Lighting (LRL):
uniform light coverage



HPS fixtures: yellow cast and
vertical light pollution

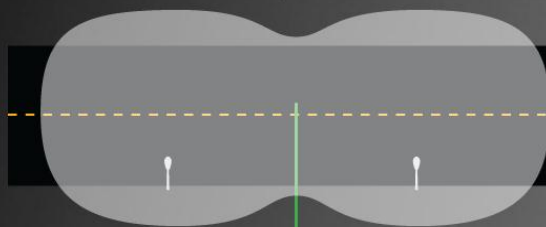


Typical competitor LED:
dark sections between fixtures



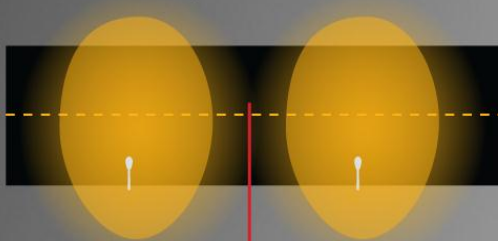
Light distribution at 180 ft (55 m) pole spacings

LED Roadway Lighting (LRL)



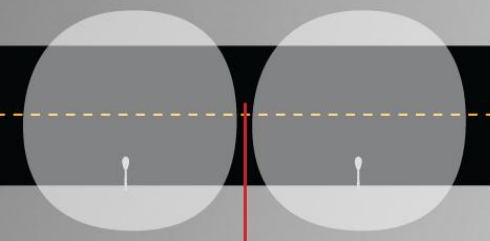
Consistent Lighting (No Dark Band)

Typical HPS

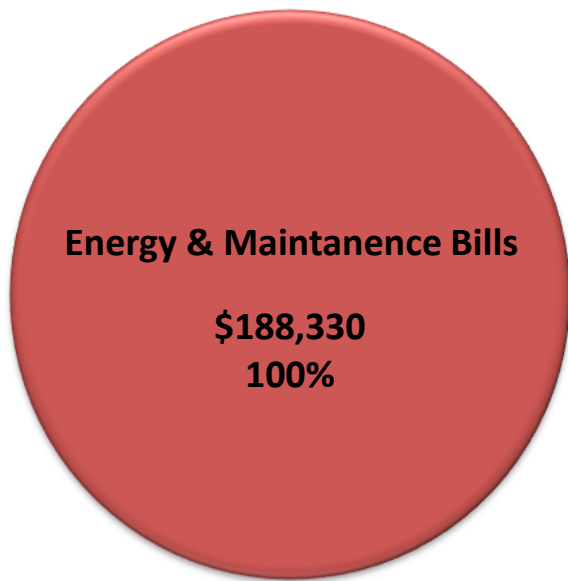


Dark Band

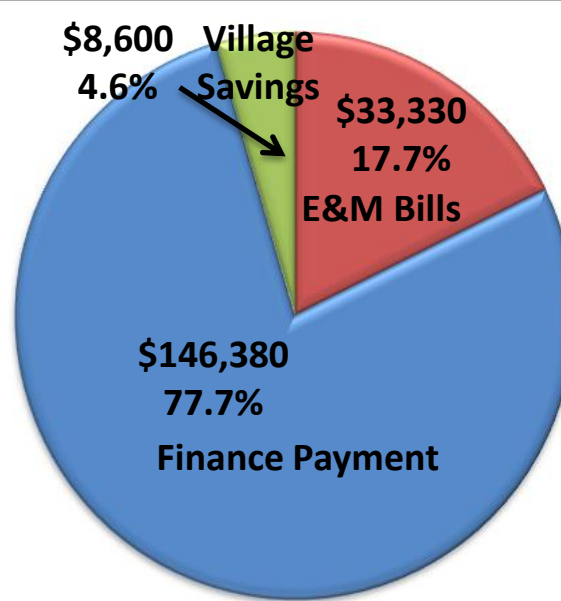
Typical Competitor LED



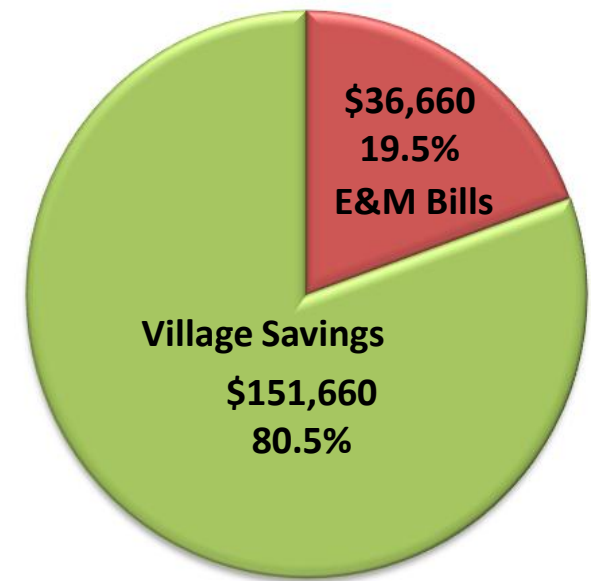
Dark Band



Before Contract



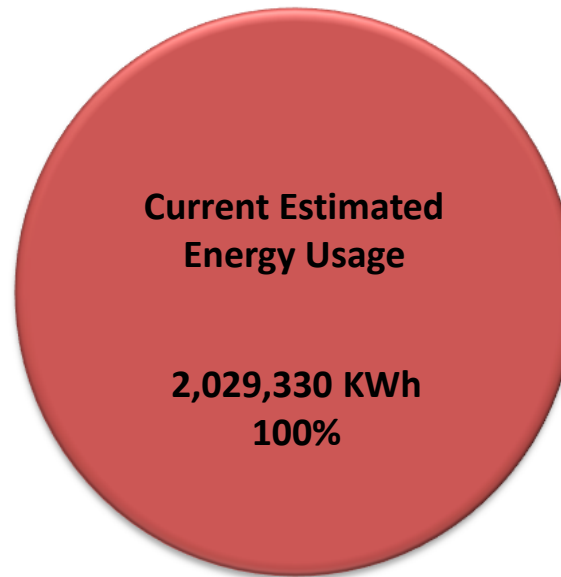
First Year of Contract



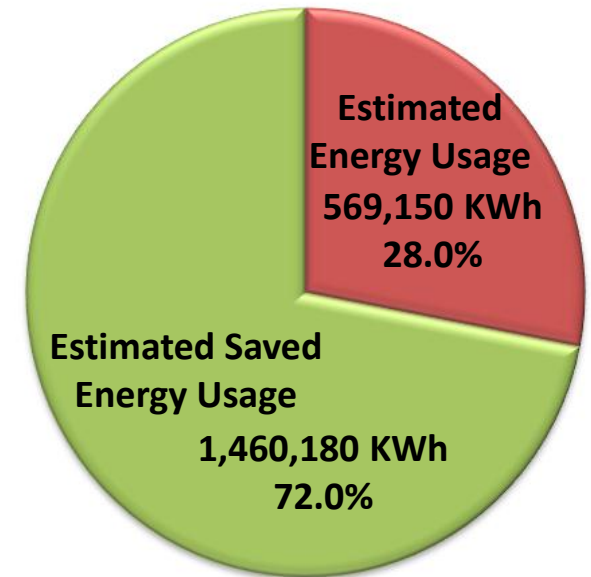
Post Contract

Financing Options

- Capital Lease
- General Obligation
- Both based on fixture review, warranty and E&M savings
- Final choice was local community bank

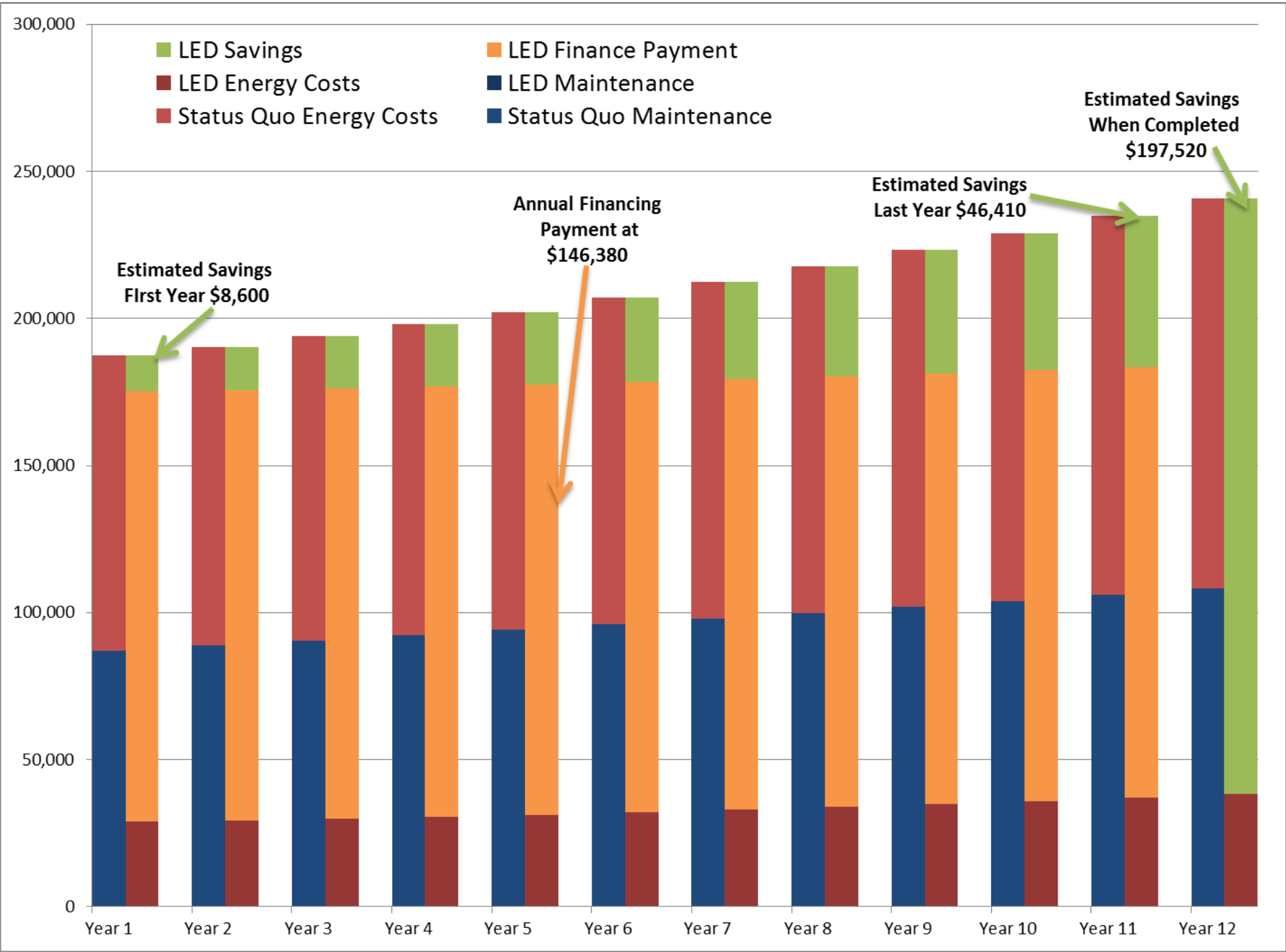


Before Contract



During Contract and Post Contract

****No Energy Rate Increase**



Financing Strategies for Streetlights

Audience Questions



Fundamentals of Development Finance
Bond Finance
Tax Increment Finance
Tax Credit Finance
Revolving Loan Fund Finance
Federal Financing Programs
State & Local Financing Programs

Energy Finance
Innovation Finance – Seed, Angel & Venture Capital
Brownfield Finance
Transportation Finance
Access to Capital Finance
Special District Finance
Public-Private Partnership Finance



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Upcoming Events at CDFA

Intro Bond Finance WebCourse

Daily: 12-5pm (EST)

January 29-30, 2013

Reshored Manufacturing Webinar Series

4-part series

February 13, 2013

Fundamentals Course

Washington, DC

March 14-15, 2013

Register online at www.cdfa.net

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Next Webcast

CDFA – BNY Mellon Development Finance Webcast Series

Tuesday, December 18, 2012 @ 1:00pm Eastern

More information on webcasts in 2013 – coming soon



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For More Information



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