Project Description

- **Client:** City of Houston (“the City”)
- **Project:** Replacement of city traffic signals and heads at 1,700 of City’s 2,400 intersections with LEDs and updated central control system
- **Lead Contractor:** Siemens
- **Projected Daily Energy Savings (Post Retrofit):** $10,000
- **Estimated Total Project Cost:** $16.4 million
- **Expected Payback:** 7 years

Finance Challenges

- The City planned to finance the entire $16.4 million cost of the project using commercial paper; however in the fall of 2008, with the credit markets in turmoil, the City became concerned that commercial paper was priced too expensively to make the project viable
- The City needed to assess alternative financing mechanisms, including indicative pricing of these mechanisms, and turned to the Clinton Climate Initiative (CCI) for help in doing so
- The City needed to present the full project for final approval from the Mayor within 2 weeks time—the presentation needed to include how the project would be financed, which was still an outstanding point

Key Details Needed to Facilitate Financing Process

- In order for CCI to quickly and effectively solicit preliminary proposals from financial institutions, the Finance Team needed the following project related information:
  - Total project size ($ US)
  - Key players in project (e.g. lead contractor)
  - Ultimate borrower on project (e.g. city, city agency, SPV)
  - Primary drivers for City on assessing a financing (pricing vs. structure)
  - Preferred financing structure(s)
  - Required financing term (years)
  - Useful life of the equipment (years)
  - Timeline and deadline for financing proposals

Financing Outcome:

- CCI successfully solicited proposals, on behalf of the City, from four financial institutions within 7 days of contacting them:
  - Citi
  - Wells Fargo
  - Hannon Armstrong
  - Saulsbury Hill Financial
- The proposals outlined pricing for a tax-exempt municipal lease at competitive rates and one proposal outlined pricing for a government obligation bond
- Despite having received competitively priced proposals, the City ultimately decided to finance the project with commercial paper for one year and then refinance with a government obligation (“GO”) bond

CCI Value Add / Key Takeaways:

- **Information Gathering:**
  - CCI quickly assembled concrete pieces of deal related information (see “Key Details”) in order to accelerate the finance proposal process
- **Deal Positioning:**
  - CCI helped the City of Houston formulate and then communicate clear goals for solicitation of financial proposals; for instance, the City established at the outset that it was interested in GO bond or a tax-exempt municipal lease structures
- **Relationships with Banks:**
  - CCI identified the appropriate lenders for the project and communicated the “Key Details” on behalf of the City in order to expedite the process
- **Collaboration:**
  - The City’s ability to make themselves available to answer detailed questions from financial institutions increased the efficacy of the CCI solicitation
  - City Directors or CCI project managers can do a lot to gather relevant financial details upfront when a deal arises in order to accelerate the finance process