

Plainedge Union Free School District Energy Performance Contract RFP

REQUEST FOR PROPOSALS TO FINANCE AN
ENERGY PERFORMANCE CONTRACT

\$8,765,205

PLAINEDGE UNION FREE SCHOOL DISTRICT
NASSAU COUNTY, NEW YORK

Proposals Due By: 10:00 am on June 27, 2023

Submit Proposals To: Peter Porrazzo
Assistant Superintendent for Business and Administration
Plainedge Union Free School District
c/o Michael Loguercio
President
Munistat Services, Inc.
12 Roosevelt Avenue
Port Jefferson Station, New York 11776
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Estimated Lease Date: August 15, 2023

PROJECT DESCRIPTION

Plainedge Union Free School District (the “District”) has entered into an Energy Performance Contract (the “Contract”) with Johnson Controls, Inc. (“Vendor”) dated May 11, 2021, amended pursuant to Contract Amendment dated December 16, 2022, (copies attached), requiring the Vendor to upgrade/replace/install interior & exterior lighting, Building Envelope - weatherization, and window replacement energy management system(s), renewable energy-photovoltaic generation, plug load controllers, air conditioning compressor controllers, heating system-furniture controllers, heating system-domestic hot water replacement, heating system-pipe and valve insulation, and energy efficient transformers.

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The total aggregate price of the amendments to the foregoing work, including architectural/engineering fees, is \$8,765,205. The installed equipment (the “Equipment”) will be amortized over a fifteen (15) year period. The District expects to receive NYS Education Department (“SED”) Building Aid in the amount of approximately 53.2% of authorized contract expenses. The District received SED approval of the amended detailed plans and specifications for the work to be undertaken on August 1, 2022.

To finance the cost of the Equipment, the District is seeking proposals from third parties interested in acting as Lessor to a Municipal Lease/Purchase Agreement for a term of fifteen (15) years as authorized and defined pursuant to Article 9 of the New York State Energy Law, the Regulations of the Commissioner of Education, the General Municipal Law Section 109-b and other laws and regulations governing lease-purchase agreements, energy performance contracts and the regulations promulgated thereto.

In an effort to analyze the full costs of the transaction to the District, all Proposers shall submit a sample lease package fully detailing required documentation, including any form of opinions of counsel, that must be submitted to complete the transaction. The proposal must state that the interest rate and other terms cited in the lease proposal will be good through the closing date. The Lease shall not become effective until delivery of the funds. Following notification of award, the prospective Lessor must provide the District with a draft of its proposed financing documents for the transaction, together with notification of its credit approval immediately. The proposed forms of the lease purchase agreement, escrow agreement and related documents must be submitted with the proposal. All documents are subject to modification by District counsel. Closing is subject to successful negotiation of all documents by counsel to the District. The District reserves the right to rescind any award due to failure of the parties to agree to the terms and conditions thereof and to recover its costs in connection therewith.

FINANCIAL TERMS

Lessee: Plainedge Union Free School District, a public school district of the State of New York.

Escrow Agent: To be selected by Lessor - all escrow agent and escrow fees shall be borne by the Lessor.

Amount: \$8,765,205

Term: Fifteen (15) years, including a twelve to eighteen (12-24) month escrow period, as applicable; provided however, the initial term shall remain in effect until the last day of the District’s then-current fiscal year and automatically extended upon the successive appropriation of the District’s governing body of amounts sufficient to pay “Rental Payments” under the Agreement during the period coextensive with the District’s next fiscal period and in such number of additional extensions thereafter as may be necessary to pay the “Rental Payments” in full. The

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construction period is expected to begin in September of 2023 and be completed by September of 2025.

Payments and Rate: Semi-annual principal and interest payments pursuant to the terms of the agreement. The payments will commence on December 15, 2023. Thereafter, semi-annual lease payments will be both principal and interest. Interested proposers should provide quotes which are calculated on a semi-annual basis and conform to New York State Local Finance Law level debt service requirements. **Please submit an amortization schedule.**

The Lease shall separately state the principal and interest component of the periodic payments to be made thereunder. The total of these payments, which include both principal and interest components made by the District each year throughout the term of the Agreement, shall result in substantially level or declining annual debt service as set forth in section 21.00 of the Local Finance Law of New York. Each payment shall be detailed in an amortization schedule prepared by the Proposer. The Lease shall define the purpose and objective of the financing. The Lease must specify the applicable interest rate as well as the standard contractual terms and conditions. The form of lease purchase agreement, escrow agreement and related documents must be submitted with the proposal. Proposers must satisfy themselves that the credit approval will be granted prior to submitting a proposal. All finance documents are subject to modification by District counsel. All agreements and contractual conditions are required to conform with the laws of the State of New York including but not limited to New York General Municipal Law, Energy Law, Local Finance Law, Education Law, and the regulations of the New York State Education Department, Commissioner of Education and the Office of the New York State Comptroller. The District's legal counsel will review and approve all documents before Board of Education consideration and action. Lessor shall provide the District with a statement and thirty days' notification prior to each payment due date.

The District's obligation to make lease payments is subject to annual appropriation by the Board of Education.

Prepayment: The District will have the optional right to prepay, without incurring any penalties and/or additional expenses, costs or fees, any or all of the principal portion outstanding on any payment date under the Lease upon payment of the then applicable termination value, which will be calculated as follows 100% of the outstanding principal balance and provided that the District gives a 30 day notice to the Lessor (as determined by the selected maturity schedule) of its intent to prepay

Escrow: Upon closing, all lease proceeds must be collateralized (in accordance with the New York General Municipal Law and the District's investment policy, District Investments – Policy No. 6240 and Regulation No. 6240R (collectively, the "Investment Policy")) and deposited into an interest-bearing escrow account established under the Lease by the Lessor to be utilized to purchase the Equipment (the "Purchase Funds"). The District shall not be responsible for any costs related to the establishment, maintenance or transfer of the funds in the escrow account. The escrow agent must be a bank or trust company located in and authorized to do business in the State

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of New York. The bank or trust company must have an office in the State of New York and the office location must be reflected in the escrow agreement. Investments shall be made solely at the direction of the District and shall be made in accordance with the requirements of General Municipal Law sections 10 and 11 and the District's Investment Policy. The escrow deposit shall be collateralized in accordance with the foregoing. The District is not authorized to invest in mutual funds or similar liquid investment vehicles. All monies held in the escrow funds are monies of the District and shall not be subject to levy, attachment, or lien by or for the benefit of the escrow agent or Lessor or creditor of either. All interest earnings on the funds deposited into the escrow account shall accrue to the benefit of the District.

The escrow agent shall invest the amounts on deposit in the Purchase Fund solely at the written direction of an authorized office of the District. All investments made shall be subject to the following conditions:

1. (a) Such obligations shall be payable or redeemable at the option of the District within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of the Agreement, shall be payable or redeemable in any event, at the option of the District, within thirteen months of the date of purchase. Any obligation that provides for the adjustment of its interest rate on set dates shall be deemed to be payable or redeemable for purposes of this paragraph on the date on which the principal amount can be recovered through demand by the holder thereof.

(b) Such obligations, unless registered or inscribed in the name of the District shall be purchased through, delivered to and held in the custody of the escrow agent. Such obligations shall be purchased, sold or presented for redemption or payment by such escrow agent in obligations only in accordance with prior written authorization from an Authorized Officer. All such transactions shall be confirmed in writing to the District by the escrow agent.
2. All investments described above shall be made and ownership recorded in accordance with all applicable requirements of Section 10 and Section 11 of the General Municipal Law.

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3. The escrow agent must expressly acknowledge that the Lessee is not authorized to invest in mutual funds registered with the Securities Act of 1933, as amended and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, including no-load money market mutual funds limited to investments in obligations of or guaranteed by the United States of America or in obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, or any similar mutual fund or other money market or liquid deposit investment vehicles.

In the event that there are excess proceeds available in the Purchase Fund at the end of the construction period, proceeds shall be transferred by the Escrow Agent to the Lessor and applied to the next succeeding lease payment and such lease payment thereafter until fully utilized. Such funds shall not constitute prepayment and shall not be subject to prepayment penalties, fees or charges, or premiums.

UCC Filing: The District will not provide a legal description for any District property in connection with this financing. In the event the winning Proposer requires this information for the purposes of making a fixture filing pursuant to the applicable provisions of the Uniform Commercial Code, the winning proposer may obtain such information at its own effort and expense.

Commitment/Facility Fee: Proposer must detail any commitment fees on lease transaction summary form. However, Lessor shall be responsible for all origination and commitment fees and expenses. The District shall not incur or absorb any fees of Lessor related to Lessor's proposal, negotiations or closing or other activities related to this RFP or the proposed transaction. In the event that a transaction does not close because of the successful Proposer's failure to meet the terms of this RFP, the successful Proposer shall be responsible for any and all costs incurred by the District in connection with the failed transaction and its negotiation.

Use of Proceeds: To finance the lease/sale of the Equipment from the Vendor to the District.

Collateral: First security interest in the Equipment only as follows. Neither the escrow agent nor the Lessor shall have an interest in the Purchase Funds, the escrow account or any investments made on behalf of the Lessee. **Additionally, in 2014 an original EPC ("Phase I") was completed which includes the same interior lighting fixtures as the proposed EPC ("Phase II") to be financed through this RFP. Therefore, the portion of Phase II lighting in the amount of \$1,238,000 will continue to have a first security interest attached to it until December 15, 2029, at which time that security interest will be terminated and the second security interest granted will become a first security interest for the remainder of the lease. The wattage reduction that occurred through Phase I is still accounted for and continues to provide revenue to the District. So, in effect, the energy savings on Phase I intended to cover the original borrowing will still be achieved following implementation of the proposed Phase II interior retrofit lighting.**

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Warranties: All manufacturers' warranties, expressed or implied with respect to the Equipment acquired shall be assigned by the Lessor to the District upon receipt.

Other: All proceeds are to be disbursed through an escrow fund. The escrow account established by the financing entity must be held in a bank or trust company located in and licensed to do business in the State of New York, with investment solely at the direction of the District. Upon closing, funding proceeds will be placed in an interest bearing escrow account and disbursed to the Vendor upon presentation of evidence that the installation of certain portions of the Equipment has been completed and accepted by Lessee. Interest on the escrow balance shall accrue for the benefit of the Lessee. Lessor shall be responsible for all fees of Lessor's legal, issuance and closing costs. Funds held in the escrow account must comply with the provisions of sections 10 and 11 of the General Municipal Law.

The District will not defend or hold the Lessor harmless from any adverse changes in the tax status of the transaction, after tax yield or cash flows resulting from changes in the Federal or State tax codes or regulations.

General Terms and Conditions: Without limiting the inclusions of standard provisions for energy performance contract lease financing the Lessor agrees the following terms and conditions shall apply:

Any contract entered into by the District shall contain the following clause: "This contract shall be deemed executory only to the extent of the monies appropriated and available for the purpose of the contract, and no liability on account therefore shall be incurred by the political subdivision beyond the amount of such monies. The installment purchase contract is not a general obligation of the District. Neither the full faith and credit nor the taxing power of the District are pledged to the payment of any amount due or to become due under such installment purchase contract. It is understood that neither this contract nor any representation by any public employee or officer creates any legal or moral obligation to appropriate or make state monies available for the purpose of the contract."

Lease payments shall be subject to appropriation each year by the District's Board of Education. In the case of a failure to appropriate, the sole security under the Lease shall be the Equipment. In the event that no funds or insufficient funds are appropriated by the District to pay the Lease, the Equipment may be acquired and sold by or on behalf of the Lessor, provided that any excess proceeds from such a sale, after deduction for and payment of fees, expenses and any taxes levied on the sale, shall be paid to the District. Prior to the sale or seizure of such equipment, the District shall be provided adequate written notice, no less than ninety (90) days to cure any default. Should such a sale or seizure take place the parties shall cooperate and there shall be no disruption to the

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District's operation to the extent possible. **Additionally, in 2014 an original EPC ("Phase I") was completed which includes the same interior lighting fixtures as the proposed EPC ("Phase II"), henceforth; the portion of Phase II lighting in the amount of \$1,238,000 will have a 2nd lean attached to it until December 15, 2029, at which time the 2nd lean will revert to a first lean for the remainder of the lease. The wattage reduction that occurred through Phase I is still accounted for and providing revenue to the District. So, in effect, the energy savings on Phase I intended to cover the original borrowing will still be there following implementation of the proposed Phase II interior retrofit lighting.**

Assignment of the Lease and related documents by successful proposer and/or the escrow agreement by the escrow agent shall be subject to the prior, written consent of the District which may be granted or withheld at the District's sole and absolute discretion. Assignment of the escrow agreement(s) by the escrow agent shall not be proposed or made to a bank or trust company which is not located in and authorized to do such business in the State of New York. The Lease must state that any assignment or transfer of the Lessor's interest shall not be effective until the District has received prior, written notice, signed by the Lessor, of the name, contact person, address, telephone number, and tax identification number of the proposed assignee and the District has given its consent in writing. No assignment will be valid unless the Lessor has received the District's prior written consent. The Lease shall further provide that no certificates of participation will be executed and/or delivered.

Tax Opinion: The successful proposer will be furnished without cost with the opinion as to tax exemption of the law firm of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"). The opinion of Bond Counsel shall contain statements to the effect that, in the opinion of said law firm, under existing statutes and court decision and assuming continuing compliance with certain tax certifications described in the Tax Certificate of the District, (i) the portion of the rental payment designated as and constituting interest paid by District and received by successful proposer during the term of the lease is excluded from successful proposer's gross income for federal income tax purposes under Section 103 of the Internal Revenue Code ("the Code"); and (ii) such interest component is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the District, which will be delivered concurrently with the delivery of the lease will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its tax opinion, Bond Counsel will rely upon the opinion as to the validity of the lease and the reliance letter delivered by Ingerman Smith ("School Attorney"), without undertaking to verify the same by independent investigation.

The District will designate the Lease as a "qualified tax exempt obligation" within the meaning of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended.

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Opinion of the School Attorney: At closing, the District shall furnish an opinion of the School Attorney, dated the closing date, to the effect that there is no controversy, litigation of any nature pending or threatened to restrain or enjoin the execution or delivery of the installment financing agreement by the District.

Amendments to RFP: Any verbal information obtained from or statements made by a representative of the District or its designee at the time of examination of the documents or site shall not be construed as, in any way, amending the RFP documents or binding upon the District. Only such corrections or addenda that are issued in writing during the RFP process will become a part of any subsequent contract agreement.

During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information or clarification from proposers, or to allow corrections of error or omissions.

Basis for Award: The District reserves the right, in its sole and absolute discretion, to reject any and all proposals, or any part thereof, received in response to this Request for Proposals, to resolicit for new proposals, to waive formalities, to request additional information from any Proposer, and to award and negotiate the terms of the contract with any Proposer. The District intends to select the firm whose proposal is most advantageous to the District and best meets the District's needs for this Lease, and not necessarily the firm with the lowest cost proposal. In determining which proposal is most advantageous and in the District's best interests, the District will evaluate, among other things, the overall financing cost (inclusive of any interest and fees) to the District, the responsiveness of each proposal to the terms of this RFP and applicable law, the terms and conditions of the proposed agreements, and the experience and qualifications of the Proposer. The District will not have any liability to any Proposer for any costs or expenses incurred in connection with its response to this request for proposals. The adequacy of qualifications of respondents shall be determined by the District and will not be subject to appeal.

All proposals shall be hand signed by an individual legally authorized to bind the proposing firm and the signer's name shall also be typed or printed on or under the signature together with his/her title or designation.

ADDITIONAL INFORMATION

Munistat Services, Inc. has assisted the District as municipal advisor in certain matters with respect to the preparation of its Request for Proposal. A copy of the District's fiscal year ending June 30, 2020 through and including fiscal year ending June 30, 2022 audited financial statements, as well as the Statement of Annual and Operating Information for the fiscal year ending June 30, 2022, can be found on the Munistat website: www.munistat.com. Additional Disclosure is available upon request.

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Additional information may be obtained from the office of Peter Porrazzo, Assistant Superintendent for Business and Administration Plainedge Union Free School District, 241 Wyngate Drive, North Massapequa, New York, 11758 telephone number (516) 992-7462 and email: peter.porrazzo@plainedgeschools.org, or from the office of Munistat Services, Inc. Michael Loguercio, President, 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888.

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REQUEST FOR PROPOSALS TO FINANCE AN
ENERGY PERFORMANCE CONTRACT

IN THE AMOUNT OF \$8,765,205

FOR

PLAINEDGE UNION FREE SCHOOL DISTRICT
NASSAU COUNTY, NEW YORK

PROPOSALS DUE BY: 10:00 am on June 27, 2023

**PROPOSAL FORM
ENERGY PERFORMANCE CONTRACT
FOR
PLAINEDGE UNION FREE SCHOOL DISTRICT**

To: Peter Parrazzo
Assistant Superintendent for Business
Plainedge Union Free School District
c/o Michael Loguercio
President
Munistat Services, Inc.
12 Roosevelt Avenue
Port Jefferson Station, New York 11776
Phone (631) 331-8888
Fax (631) 331-8834
E-mail: mloguercio@munistat.com

Type of Equipment: Energy Management Equipment

Transaction Size: \$8,765,205

Structure: Initial interest payment, and subsequent semi-annual payments of principal and interest, in arrears

Lease Term: Please provide amortization schedule for 15 years with first payment, principal and interest starting on December 15, 2023.

**15 Years
First Payment
December 15, 2023**

Average Annual Interest Rate: _____ %

All-In Interest Rate: _____ %

Payment Structure:
(include total principle payments including any Costs of Issuance): _____

Total Interest over term of Agreement: \$ _____

15 Years
First Payment
December 15, 2023

Purchasers Costs: \$ _____
Total Cost to District over Agreement Term: \$ _____
Semi-annual Payment Amount: \$ _____

Prepayment: The District will have the optional right to prepay, without incurring any penalties and/or additional expenses, costs or fees, any or all of the principal portion outstanding on any date under the Lease/Purchase upon payment of the then applicable termination value, which will be calculated as 100% of the outstanding principal balance and provided that the District gives a 30 day notice to the Lessor (as determined by the selected maturity schedule)

ATTACH AMORTIZATION SCHEDULE

Proposal must identify any costs associated with this proposal and cap these costs. The following costs must be itemized and will be taken into account to determine the all-inclusive cost of borrowing:

First Payment
December 15, 2023

Other Expenses: \$ _____

The undersigned Proposer certifies this proposal is firm for **45 days** from the date of submittal. It is the intent of the District to formally award the bid to the selected winner by _____.

Signed: _____

Title: _____

Date: _____