Presentation Key Points

- Academics is priority #1, but operational costs are essential to enable learning.
- There are low interest financing options available for K-12 (particularly in the RGV)
- There is merit to evaluating the potential to obtain funding and to pay for that funding through your existing budget rather than through tax increases.
- Texas Legislation allows you to use a more efficient, cost effective way of doing infrastructure upgrades
Traditional Approach for Infrastructure Improvements

1. Increase Revenue
2. Reduce Costs
3. Use General/Emergency Fund

Pass a Bond
- Raise Taxes
- Go through an election and community input
- Enter a 25 year agreement

Find highest cost item and Reduce
- Payroll reduction
- Employee positions eliminated

Fund as needed
- Unplanned expenditure
- Need became an emergency
Performance contracting is a procurement tool that installs energy efficient facility improvements, with no up front costs, paid for out of guaranteed energy & operational savings from your existing operating budget.

- Allows for 3rd party tax-exempt financing
- Retrofit energy consuming equipment without no upfront capital dollars
- Requires annual written savings guarantee
- Projected savings will be reviewed by Texas licensed PE
- Allows you to use future energy and operational savings subsidize costs
- Potentially no-impact on bonding capacity
- Contract term up to 20 years (typically 10-15 yrs)
### Traditional Approach for Infrastructure Improvements

#### Bid/Spec (Multiple Layers)

- **Bank for $$$**
- **District**
  - **Architect**
  - **Mechanical Engineer**
  - **Electrical Engineer**
  - **General Contractor or Construction Manager**
  - **Mechanical Contractor**
  - **Electrical Contractor**
  - **Temp Controls**

#### Performance Contracting (One Layer)

- **Bank for $$$**
- **District**
- **ESCO**

Includes:
- Engineer & Architect
- General Contractor
- Construction Manager
How the Funding works

Before Program Term
- Operating Funds
  - Costs
    - Utilities
    - O&M
    - Repair/Replace

During Program Term
- Operating Funds
  - Costs
    - Utilities
    - O&M
    - Repair/Replace
  - Investment
    - Infrastructure Improvements
    - M & V + Interest
  - Savings

After Program Term
- Operating Funds
  - Costs
    - Utilities
    - O&M
    - Repair/Replace
  - Investment
    - Infrastructure Improvements
    - M & V + interest
  - Savings

Maximize Existing Funds!
Improvements Made with your Existing Operations Budget

- Alternative Energy
- Technology Infrastructure
- Water Conservation
- HVAC Equipment
- Lighting Systems
- Maintenance
- Fire Alarm / Life Safety & Security
- Building Controls
- Building Envelope

SIEMENS
Infrastructure Improvement
Financing Options

- Municipal Lease Purchase
- LoanStar Loans
- Qualified Zone Academy Bonds
- Other Incentives tied to Infrastructure
Municipal Lease Purchase

- Allow you to buy capital equipment using operating dollars.
- Are tax-exempt and can be seen as an operating expenses rather than long-term debt.
- Interest is at its lowest point – depends on several factors but could be as low as 2.5%
- No maximum set or deadline to meet. Quick approval time.
Loan Star Loan

- Revolving loan offered by the State Energy Conservation Office. (SECO)
- It is specifically for energy-related retrofit projects.
- Low interest rate - ~ 2%
- Maximum amount you can borrow is $7.5 Million
- Borrowers repay the loans through the stream of energy & Operational cost savings realized from the retrofit projects.
- Application Dates – April / Dec
Qualified Zone Academy Bonds

- Specifically designed for economically challenged communities
- QZABs provide tax credits to bond holders that are approximately equal to the interest that communities would ordinarily pay the holders of taxable bonds
- Use for renovation/repair of school property and equipment
- District must have at least 35% of students on free school lunches
- A qualified contributor must supply a 10% matching grant
- The Texas Education Agency accepts and reviews applications
- Monies are first-come, first-served basis. no maximum to borrow.
- Low interest rates -- ~ 0.5% - 1.5%.
QZAB – Things to Note

- Project timeline – QZAB approval process will take several months
- A Public Private Partnership (an Academy) must be established with goals of:
  - improving curriculum
  - increasing graduation rate
  - increasing employment
  - preparation of students for college or the work force
- Academy requirements
  - Unrelated private enterprise must agree to provide support toward accomplishing these goals
  - Support must have the value of at least 10% of the bond issuance and can be cash, goods, technology, mentoring, internships, and field trips
- QZABs are designed to insure community support
Other Incentives

- Grants
  - Grants become available for school districts to upgrade and increase efficiency. The breadth of what PC enables you to do makes it easier to qualify for this funding mechanism.

- Rebates – AEP
  - Commercial Standard Offer Program available for the following:
    - Demand Reduction
    - Lighting
    - Renewable Energy - Solar
Overall Benefits for RGV Schools

- Length of funding commitment is shorter
- Overall lower costs - Maximize existing dollars
- Financial benefit is quantified and tracked
- Taking advantage of low interest financing that is only available for infrastructure
- Take advantage of low interesting funding specifically aimed at economically challenged communities (historically underutilized)
- Being viewed as a good steward of tax payer funding, people can see where the tax dollars go – not band-aids, real campus improvement
- Creating environments that support student achievement
- Removal of several items from “to buy” list for several years – Reduce CIP
Additional Resources

1. **Qualified Zone Academy Bonds**  
   (Texas Education Agency)  
The Texas Education Agency provides information to school districts regarding eligibility and allocations for the QZAB program.  
http://www.tea.state.tx.us/school.finance/facilities/index.html#qdesc  
Cassie Huggins  (512) 463-9232 – Division of State Funding  
cassie.huggins@tea.state.tx.us

2. **Texas Association of School Boards Capital Acquisition Program**  
   Toll-free phone number: 1-800-580-8272  
http://www.tasb.org/member_services/financial/cap.shtml

3. **LoanSTAR Revolving Loan Program**  
   (State Energy Conservation Office)  
   Toll-free phone number: 1-800-531-5441, extension 3-1931  
http://www.seco.cpa.state.tx.us/ls.html
Thank You!

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