

Delaware Sustainable Energy Utility
Loan Committee

DE Sustainable Energy Utility Office
500 W. Loockerman Street, Suite 400, Dover, DE 19904

February 2, 2016 – 1:00 p.m.

Members present were: Kristopher Knight (teleconference), Trey Paradee (phone), Dave Bonar, Doug Bacher, NW Financial Group (teleconference), Brent Shaffer, Young Conaway Stargatt & Taylor, LLP (teleconference), and Anthony J. DePrima. Also present were Suzanne Sebastian, Lisa Gardner, and Athena Jiajing Bi.

1. a. Review Loan Application – Boys and Girls Clubs of Delaware - Mr. DePrima informed members that The Boys and Girls Clubs of Delaware has requested a loan for an amount not exceed \$500,000 in order to fund energy efficient measures in 7 of its 44 facilities in Delaware. The energy projects include lighting upgrades, retrofits, fuel conversion projects and boiler retrofits. The 7 facilities are located in Wilmington, Milford, Newark, Seaford, Smyrna and Laurel.

Loan Request

The initial loan request was for a \$552,223, the application has since been lowered to an amount not to exceed \$500,000 which is designed to supplement project funding for energy projects totaling \$740,092. The balance of the project costs will come from a DNREC Assessment Grant totaling \$100,000 and a DNREC EEIF Grant totaling \$41,484. Electric and gas savings are estimated to be \$107,193 annually which escalate over time to reflect increasing energy costs subsequently totaling a projected \$2,738,204 over 20 years. The Trane report includes retrofits for 7 facilities. However, the Boys and Girls Club has not made a final decision regarding all of the proposed work by Trane and a decision may be made to limit the scope of work to something less than the proposed work on all 7 facilities. This is the reason for the “not to exceed” loan request. Further, the loan application reflects a requested loan term of 6 years. However, they have since expressed an interest to pay the loan off more quickly saying that they would prefer that the term of the loan be 5 years.

Loan Security

The Boys and Girls Club has an annual budget of approximately \$16,500,000. They traditionally receive revenues from 3 major areas: 30% government sources, 35% membership and program fees, and the remaining 30% from fundraising and contributions. They are a viable and successful operation providing services to the residents of Delaware since their inception in 1919. They have unrestricted assets that vary from year to year that totaled approximately \$13,748,611 at the end of 2014. Of the approximately \$13,700,000 in assets, they have a \$4,000,000 endowment and \$1,600,000 in capital funds that is invested and available to pay expenses if needed, including this proposed loan. There are no liens outstanding on the endowment but existing loan covenants require that the Boys and Girls Club maintain \$2,500,000 cash on hand. They own 5 of the 7 buildings noted in the Trane report and of the 2 not owned (the Laurel and Smyrna facilities) they have long term leases that go beyond the 5 year term of the loan.

Based on the review of the information noted above, NW Financial has no reason to believe that the Boys and Girls Club will have any difficulty in retiring the proposed loan and recommend the following:

- Because the Boys and Girls Club is a not for profit, servicing a wide range of Delaware residents and children, it is suggested that the DESEU provide a loan at 2.00% with a term of 5 years.
- Place a lien on the equipment.

- Include language in the loan agreement that clearly defines all of the available revenue of the Boys and Girls Club be made accessible for the repayment of the loan including the capital funds and the moneys available through the \$4M endowment.
- It is required that the energy savings cover the loan payments or debt service for the amount borrowed, less the \$5M.

The Boys and Girls Club is a not for profit, servicing a wide range of Delaware residents and children, it was recommend that the DESEU provide a loan in an amount not to exceed \$500,000 at 2% interest rate with a term of five (5) years.

Mr. Bonar moved to approve the loan, seconded by Mr. Knight and unanimously carried.

1. b. Review Loan Application – Lewes Public Library – The Lewes Public Library has requested a loan in the amount of \$415,044 for purposes of funding energy efficient measures in connection with the construction of a new library facility. The energy efficient projects include equipment sensors, LED lighting, VRF mechanical system, water conservation projects and passive solar.

Loan Request

The cost of the new facility is approximately \$3,000,000. The Library has secured a \$3,000,000 loan to provide funds during construction. It is the intent of the Library to pay off the loan when it matures on July 1, 2018. Funds for the repayment are coming from the State of Delaware, Division of Libraries and capital fund raising campaign.

The energy efficiency projects will cost a total of \$830,088. The Delaware Division of Libraries is providing a 50% match for the project costs, \$415,044. The remaining 50%, or \$415,044 is the amount of the loan request. The annual projected savings are \$47,552. This does not include revenues that will be received through the sale of SRECs to be realized from the solar array to be installed that are estimated to be approximately \$10,000 annually. The Library requested a 17.5 year payback on the loan. The savings and projected revenues will support a shorter term. The Library was agreeable to a 10 year term.

Loan Security

The Library's 2016 budget is approximately \$550,000. Revenues to balance the annual budget come from several sources. The County of Sussex contributes approximately \$250,000. This number fluctuates and is a function of facility usage. The State Division of Libraries provides grants totaling approximately \$72,000 annually. Both of the government annual appropriations are stable. The remaining revenue is received from fees, fines, gifts and donations. The Library also has an unrestricted endowment totaling approximately \$1,000,000. Finally, there is a smaller endowment totaling approximately \$50,000 that is restricted, and therefore would not be available for repayment of the loan. As with other DESEU loans, we would suggest that the Library provide a lien on the equipment to be installed and that it be made clear that the all revenues of the Library are made available for the loan repayment, including the endowment.

The Library has a 111-year operating history and has continued to realize continued growth in recent years. In 2000, the Library put an addition on the current facility that doubled the size of the building to its current size of 14,600ft². The continued sustained growth has resulted in the need of the Library to expand to a new, larger facility to meet demand suggesting that the Library will continue to expand its services and available revenue sources.

Based on the review of the information noted above NW has no reason to believe that the Library will have any difficulty in retiring the proposed loan and recommend the following:

- Because the Library is a not for profit, quasi-public and publicly funded entity, it is suggested that the DESEU provide a loan at 2% with a term of 10 years.
- Place a lien on the equipment.
- Include language in the loan agreement that clearly defines the available revenue for the repayment of the loan to include the available endowment.

Mr. Bonar moved to approve the loan in the amount of \$415,044, for a term of 10 years at 2% interest rate, seconded by Mr. DePrima and unanimously carried.

A motion to adjourn was passed unanimously at 1:35 PM.