



“Energy Performance Contracting”

Topic: Finding Money for Your Projects

One of the most common objections to moving forward with a procurement in the public sector is lack of funding...

NOT the features and benefits of a solution.

Low cost, tax-exempt municipal leasing is a proven, legal means of financing your project with only board or council approval.



Why Projects Stall

- 1. Lack of Money**
- 2. Lack of time or personnel to design and plan the projects because of other, higher priorities**
- 3. Lack of internal expertise to implement projects**

Whether real or perceived, resolving the first barrier frequently provides the solution to the second two. Tax-Exempt leasing is an efficient means of funding your projects and utilized consistently, results in pull through for your business.



What is a Tax-exempt Lease?



Authorized by section 103(a) of the Internal Revenue Code, a tax-exempt lease or lease-purchase agreement is an installment purchase, conditional sale or lease with an option to purchase for nominal value. It may also be referred to as a municipal lease. The interest earned by the investor is exempt from federal income tax.

Who qualifies for tax-exempt financing?

The issuer of a tax-exempt obligation must be a State or possession of the U.S., the District of Columbia, or a political subdivision thereof. Political subdivisions include cities, towns, counties and other municipalities. They may include other state entities such as school districts, special purpose districts (fire, parks, utility, water, etc.), hospitals, agencies, authorities, boards and commissions.



Municipal Leasing Features



- **Funds 100% of the Project or Equipment Cost**
- **Does not Constitute Statutory Debt**
- **Approved by Board/Council: No Bond Election**
- **Deferred Payment Options**
- **Allowed to Payoff Early without Penalty**



How Financing Benefits Your Municipal Client

- **Provides Access to Future Budget Dollars**
- **Matches Cost with Benefit**
- **Enhances Budget Planning**
- **Locks in Costs at 2006 Prices**
- **Allows for Immediate, System-Wide Implementation**

...and Immediate Results



End User Objections to Financing an Upgrade



- If it's not in this year's budget, it simply has to wait
- System improvements must be paid for from the capital budget
- Paying less interest (by floating bonds) or no interest (by delaying the project and planning it into future budgets) saves more money, and therefore is in the best interest of our organization
- Taxes or fees will have to be increased to pay for these improvements
- Tax-exempt lease-purchase agreements don't lend themselves to this type of project and are expensive alternate funding solutions

These misconceptions are simple to overcome with sound financial reasoning and cost modeling.



Cost of Delay: “If it’s not in this year’s budget, it simply has to wait”

<p>L/P Financing \$100,000 3 Year Term Annual Pmt Interest Rate 4.492%</p> <p>Yr 1 - Interest 3,407 Yr 2 - Interest 3,028 Yr 3 - Interest 1,547</p>	<p>vs.</p>	<p>Waiting to Pay Cash 3 yrs of Inflation 3% Inflation/yr</p> <p>Price ^ 103,000 Price ^ 106,090 Price ^ 109,272</p>
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Interest Cost of \$7,981 vs. Inflation Cost of \$9,272

This does not consider operational savings, revenue enhancements or other benefits derived from a system implementation



“Improvements must be paid for from the capital budget”



- Capital dollars are usually already committed to other projects
- These dollars are scarce, so your project competes with others
- The approval process for requesting new capital dollars is time consuming, expensive, and typically requires voter approval

Lease-purchase financing provides for the purchase of long term assets, yet repayment is treated as an operating expense. The source of repayment is already in the budget.



Net Financing Costs

“We float bonds at around 4%, why should we pay 5% on a lease?”

Because the lowest rate is not always the best deal. There must be a consideration of origination and issuance costs, trustee’s fees, bond rating costs, printing, etc. Using the rates above, let’s assume these facts:

Capital Cost	\$1,000,000
Annual Operational Savings	\$ 100,000

The breakeven point at which bond funding would have to be available is 120 days. If it takes one year longer to obtain bond funds as compared to a tax-exempt lease purchase, you would end up paying an effective rate of over 6%!

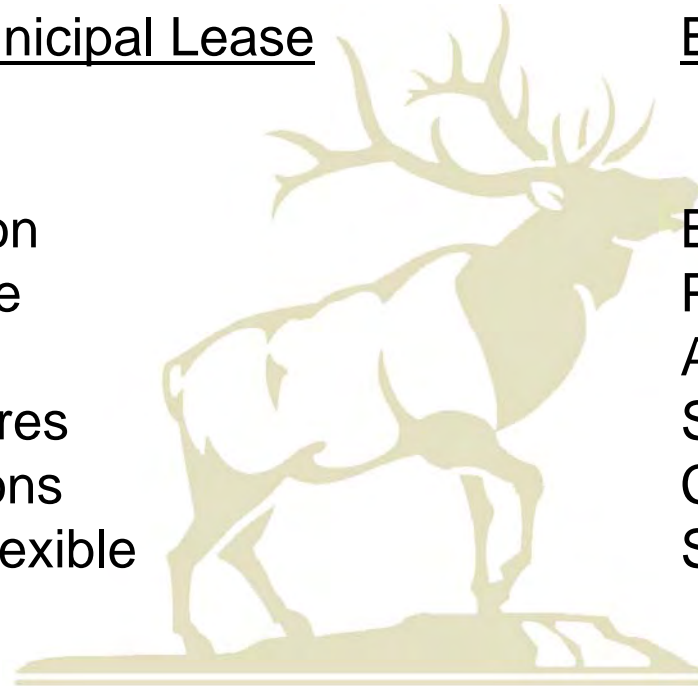


Municipal Lease vs. Bonds



Tax-Exempt Municipal Lease

No Bond Election
No Public Notice
No AG Opinion
Flexible Structures
No Call Provisions
Fast, Simple, Flexible



Bonds

Bond Election
Public Notice
AG Opinion
Semi-Annual
Call Provisions
Slow, Complex, Rigid



More Than A Quote

Professional Consultations with you and/or your end user client at any point in the sales process.

Professional Presentations to boards/councils on strategic opportunities.

Marketing Literature Support which allows you to describe this solution while building your brand awareness.





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