

MARYLAND STATE TREASURER'S OFFICE

**Louis L. Goldstein Treasury Building
80 Calvert Street, Room 109
Annapolis, Maryland 21401**

**QUESTION AND ANSWER
FOR
IFB FOR MARCH 2018 ENERGY PERFORMANCE CONTRACT
LEASE-PURCHASE FINANCING, IFB # MAR-ENERGY-02012018**

February 15, 2017

Q-1. We understand that this Phase 2 project alone is not budget neutral. When considered with the original project, is it budget neutral?

A-1. Yes.

Q-2. Please confirm that Constellation Energy is the ESCO managing the project?

A-2. The ESCO is Constellation New Energy, Inc. formerly known as Pepco Energy Services, Inc. (Constellation).

Q-3. Will the energy savings be guaranteed?

A-3. Yes.

Q-4. Will the lighting upgrades be installed in each of the facilities only or also on trains and buses?

A-4. Lighting upgrades will be installed in the facilities only.

Q-5. Please confirm that the Lessor will have a first priority security interest in the equipment installed in connection with this project.

A-5. The lender is entitled to secure its first priority interest in the equipment. See IFB Section 3.03 Financing Terms item number 9 and Appendix G recital 9.

Q-6. It appears that the Lessee/Borrower is the State of Maryland, and that the State of Maryland will be repaying the lease (subject to annual appropriation). Is this correct?

A-6. Yes.

Q-7. Assuming the State of Maryland is in fact the Lessee, what fund or funds does the State plan to appropriate from to make the lease payments? Also, what is the source of the funds that will be used for repayment? For example, will the State be appropriating from the General Fund from general cash flow and legally available balances, or from some other source?

- A-7. The funds to make the lease payments come from the individual State Agencies' operating budgets, which get their funds from various sources.
- Q-8. Is the Maryland Transportation Authority, as presented in the State's CAFR, the same entity as the Maryland Transit Administration noted in the IFB?
- A-8. Maryland Transportation Authority (MDTA) and the Maryland Transit Administration (MTA) are separate and distinct divisions of Maryland Department of Transportation (MDOT).
- Q-9. Is the State anticipating any material changes to its revenue/expenditure mix or balance sheet in the foreseeable future?
- A-9. The State does not anticipate any material changes to its revenue/expenditure mix or balance sheet in the foreseeable future. That being said, the Federal Tax Cuts and Jobs Act of 2017 is expected to **increase** available revenues somewhat unless legislative action is taken at the State level. See the 60-Day Report published by the Comptroller of Maryland on January 25, 2018 (http://comptroller.marylandtaxes.gov/Media_Services/wp-content/uploads/1-25-18_BRE_Tax_Plan_Report.pdf).
- Q-10. Has the State issued any new (incremental) debt post FYE 2017? If so, can amortization schedules, specific pledged revenues for repayment, and purpose for each debt issuance be provided?
- A-10. Yes. The State issued General Obligation Bonds in August 2017 to fund various capital projects throughout the State. In December 2017, it issued Qualified Zone Academy Bonds to repair and renovate eligible public schools. The August 2017 Energy Performance Contract Lease-Purchase Financing for energy improvement projects at the Maryland Department of Health closed August 9, 2017 and the January Tax-Exempt Equipment Lease-Purchase Financing to fund capital equipment at various State agencies closed January 17, 2018. Amortization schedules are attached as Exhibit 1.
- Q-11. Are there any new (incremental) debt issuances planned in the next 5 years?
- A-11. Yes, the State expects to continue to issue General Obligation Bonds and Capital Leases.
- Q-12. Has the State ever had any instances of default or non-appropriation on its debt?
- A-12. No.
- Q-13. Are there any private use issues that could impact the tax-exempt status of the financing? E.g. are there any commercial businesses operating out of the metro/bus/light rail stations?
- A-13. No.
- Q-14. Are the cash flows in Phase 2 (or second modification) in any way tied to the Phase I project? That is, do savings from Phase 1 support Phase 2? Please provide cash flows on Phase 2 so that we may understand where the savings are being generated.

A-14. The cash flows in Phase I contributes to the positive cash flow of Phase 2. Annual savings for the project are outlined in the table that follows.

Cash Flow-Proposed MTA Contract Addition (Phase II)			
Guaranteed Annual Savings			
Year	Guaranteed Annual Energy Savings (KWH)\$	Maintenance	Guaranteed Total Savings
1	379,521.33	64,628.08	444,149.41
2	650,607.99	110,791.00	761,398.99
3	650,607.99	110,791.00	761,398.99
4	650,607.99	110,791.00	761,398.99
5	650,607.99	110,791.00	761,398.99
6	650,607.99	110,791.00	761,398.99
7	650,607.99	110,791.00	761,398.99
8	650,607.99	110,791.00	761,398.99
Total	4,933,777.24	840,165.08	5,773,942.32

Q-15. What percentage of the total cost will be for the LED upgrades and what percentage will be for the wayside energy storage?

A-15. The percentage of the total cost for the LED upgrade is approximately 86% and the wayside energy storage is approximately 14%.

Q-16. Please provide an equipment cost breakdown – i.e. dollar amount of lighting vs. energy storage, etc...

A-16. See Answer to Question 15 above.

Exhibit 1

BOND DEBT SERVICE

State of Maryland
Second Series State and Local Facilities Loan of 2017 Final

Period Ending	Principal	Coupon	Interest	Debt Service
06/30/2018			26,888,758.75	26,888,758.75
06/30/2019			64,105,650.00	64,105,650.00
06/30/2020	1,160,000	5.000%	64,076,650.00	65,236,650.00
06/30/2021	36,195,000	5.000%	63,142,775.00	99,337,775.00
06/30/2022	32,530,000	5.000%	61,424,650.00	93,954,650.00
06/30/2023	155,955,000	5.000%	56,712,525.00	212,667,525.00
06/30/2024	41,215,000	5.000%	51,783,275.00	92,998,275.00
06/30/2025	241,790,000	5.000%	44,708,150.00	286,498,150.00
06/30/2026	271,915,000	5.000%	31,865,525.00	303,780,525.00
06/30/2027	257,515,000	5.000%	18,629,775.00	276,144,775.00
06/30/2028	43,915,000	5.000%	11,094,025.00	55,009,025.00
06/30/2029	46,165,000	5.000%	8,842,025.00	55,007,025.00
06/30/2030	48,535,000	5.000%	6,474,525.00	55,009,525.00
06/30/2031	50,765,000	4.000%	4,245,850.00	55,010,850.00
06/30/2032	52,835,000	3.000%	2,438,025.00	55,273,025.00
06/30/2033	54,850,000	3.000%	822,750.00	55,672,750.00
	1,335,340,000		517,254,933.75	1,852,594,933.75

BOND DEBT SERVICE

State of Maryland
 General Obligation Taxable Qualified Zone Academy Bonds Series 2017
 Final Numbers

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
12/15/2018	321,534		321,534	
06/30/2019				321,534
12/15/2019	321,534		321,534	
06/30/2020				321,534
12/15/2020	321,534		321,534	
06/30/2021				321,534
12/15/2021	321,534		321,534	
06/30/2022				321,534
12/15/2022	321,533		321,533	
06/30/2023				321,533
12/15/2023	321,533		321,533	
06/30/2024				321,533
12/15/2024	321,533		321,533	
06/30/2025				321,533
12/15/2025	321,533		321,533	
06/30/2026				321,533
12/15/2026	321,533		321,533	
06/30/2027				321,533
12/15/2027	321,533		321,533	
06/30/2028				321,533
12/15/2028	321,533		321,533	
06/30/2029				321,533
12/15/2029	321,533		321,533	
06/30/2030				321,533
12/15/2030	321,533		321,533	
06/30/2031				321,533
12/15/2031	321,533		321,533	
06/30/2032				321,533
12/15/2032	321,534		321,534	
06/30/2033				321,534
	4,823,000	0	4,823,000	4,823,000

Aug-17					
Days		142.00			
Amt to Escrow Account	\$	9,459,123.00			
Highest Balance	\$	9,693,202			
closing		8/9/2017			
payment frequency		2 times a year			
first payment to contractor		1/1/2019			
convention		30/360			
interest rate		2.750%			
pyt		(\$445,948.86)			
term		26			
		starting balance	principal	interest accrued	
				ending balance	
				\$ 9,459,123.00	
1/1/2018	\$	9,459,123.00	\$ -	\$ 102,605.21	\$ 9,561,728.21
7/1/2018	\$	9,561,728.21	\$ -	\$ 131,473.76	\$ 9,693,201.97
1/1/2019	\$	9,693,201.97	\$ 312,667.34	\$ 133,281.53	\$ 9,380,534.64
7/1/2019	\$	9,380,534.64	\$ 316,966.51	\$ 128,982.35	\$ 9,063,568.12
1/1/2020	\$	9,063,568.12	\$ 321,324.80	\$ 124,624.06	\$ 8,742,243.32
7/1/2020	\$	8,742,243.32	\$ 325,743.02	\$ 120,205.85	\$ 8,416,500.31
1/1/2021	\$	8,416,500.31	\$ 330,221.98	\$ 115,726.88	\$ 8,086,278.32
7/1/2021	\$	8,086,278.32	\$ 334,762.54	\$ 111,186.33	\$ 7,751,515.78
1/1/2022	\$	7,751,515.78	\$ 339,365.52	\$ 106,583.34	\$ 7,412,150.26
7/1/2022	\$	7,412,150.26	\$ 344,031.80	\$ 101,917.07	\$ 7,068,118.47
1/1/2023	\$	7,068,118.47	\$ 348,762.23	\$ 97,186.63	\$ 6,719,356.23
7/1/2023	\$	6,719,356.23	\$ 353,557.71	\$ 92,391.15	\$ 6,365,798.52
1/1/2024	\$	6,365,798.52	\$ 358,419.13	\$ 87,529.73	\$ 6,007,379.38
7/1/2024	\$	6,007,379.38	\$ 363,347.40	\$ 82,601.47	\$ 5,644,031.99
1/1/2025	\$	5,644,031.99	\$ 368,343.42	\$ 77,605.44	\$ 5,275,688.56
7/1/2025	\$	5,275,688.56	\$ 373,408.15	\$ 72,540.72	\$ 4,902,280.42
1/1/2026	\$	4,902,280.42	\$ 378,542.51	\$ 67,406.36	\$ 4,523,737.91
7/1/2026	\$	4,523,737.91	\$ 383,747.47	\$ 62,201.40	\$ 4,139,990.44
1/1/2027	\$	4,139,990.44	\$ 389,023.99	\$ 56,924.87	\$ 3,750,966.45
7/1/2027	\$	3,750,966.45	\$ 394,373.07	\$ 51,575.79	\$ 3,356,593.38
1/1/2028	\$	3,356,593.38	\$ 399,795.70	\$ 46,153.16	\$ 2,956,797.67
7/1/2028	\$	2,956,797.67	\$ 405,292.90	\$ 40,655.97	\$ 2,551,504.78
1/1/2029	\$	2,551,504.78	\$ 410,865.67	\$ 35,083.19	\$ 2,140,639.10
7/1/2029	\$	2,140,639.10	\$ 416,515.08	\$ 29,433.79	\$ 1,724,124.03
1/1/2030	\$	1,724,124.03	\$ 422,242.16	\$ 23,706.71	\$ 1,301,881.87
7/1/2030	\$	1,301,881.87	\$ 428,047.99	\$ 17,900.88	\$ 873,833.88
1/1/2031	\$	873,833.88	\$ 433,933.65	\$ 12,015.22	\$ 439,900.23
7/1/2031	\$	439,900.23	\$ 439,900.23	\$ 6,048.63	\$ 0.00
			\$ 9,693,202	\$ 1,901,468	

DATE OF FINANCING 01/17/18

3 year Amortization Schedule

JANUARY 2018 EQUIPMENT LEASE-PURCHASE AGREEMENT

ANNUITY SCHEDULE

COST 512,696.80
PV OF ANNUITY 6.00 periods 5.761177

INTEREST 2.3460%
No. of Days in first period 164

DUE DATE	LEASE PAYMENT	INTEREST	PRINCIPAL	Principal Outstanding
01-Jul-18	5,479.36	5,479.36	0.00	512,696.80
01-Jan-19	106,175.77	6,013.93	100,161.84	412,534.96
01-Jul-19	106,175.77	4,839.04	101,336.73	311,198.23
01-Jan-20	106,175.77	3,650.36	102,525.41	208,672.82
01-Jul-20	106,175.77	2,447.73	103,728.04	104,944.78
01-Jan-21	106,175.77	1,231.00	104,944.78	0.00
	536,358.21	23,661.42	512,696.80	

DATE OF FINANCING: 01/17/18

5 year Amortization Schedule

JANUARY 2018 EQUIPMENT LEASE-PURCHASE AGREEMENT

ANNUITY SCHEDULE

COST 289,897.36
PV OF ANNUITY 10.00 periods 9.338555

INTEREST 2.5280%
No. of Days in first period 164

DUE DATE	LEASE PAYMENT	INTEREST	PRINCIPAL	Principal Outstanding
				289,897.36
01-Jul-18	3,338.59	3,338.59	0.00	289,897.36
01-Jan-19	34,280.63	3,664.30	30,616.33	259,281.03
01-Jul-19	34,280.63	3,277.31	31,003.32	228,277.71
01-Jan-20	34,280.63	2,885.43	31,395.20	196,882.51
01-Jul-20	34,280.63	2,488.59	31,792.04	165,090.47
01-Jan-21	34,280.63	2,086.74	32,193.89	132,896.58
01-Jul-21	34,280.63	1,679.81	32,600.82	100,295.76
01-Jan-22	34,280.63	1,267.74	33,012.89	67,282.87
01-Jul-22	34,280.63	850.46	33,430.17	33,852.70
01-Jan-23	34,280.63	427.90	33,852.70	0.00
	311,864.26	21,966.87	289,897.36	