

**NORTH BABYLON UNION FREE SCHOOL DISTRICT  
SUFFOLK COUNTY, NEW YORK**

**REQUEST FOR PROPOSALS  
TO FINANCE AN EQUIPMENT LEASE PURCHASE AGREEMENT**

**Overview**

The North Babylon Union Free School District, Suffolk County, New York (the "District"), is seeking proposals (the "Proposal") from qualified respondents to be a third-party lessor to a lease purchase agreement with the District (the "Lease"), the proceeds of which will be used to finance equipment and related work for the implementation of energy conservation measures pursuant to an energy performance contract between the District and Energy Systems Group, LLC (the "Performance Contract"). The Performance Contract with Energy Systems Group, LLC was executed in April 2022. NYSED Building Aid rate for the project is estimated at 64%. NYSED approval was issued in February 2023.

The District seeks competitive proposals for a \$17,148,457 lease-purchase on the basis of a 15-year term with maturity on July 19, 2038.

**Project Description**

The Project contemplates implementation of various energy saving measures including installation of equipment and related work (the "Equipment"). Energy conservation measures are to be installed in the following District buildings: North Babylon High School, Belmont Elementary School, Marion E. Vedder Elementary School, Woods Road Elementary School, Parliament Place Elementary School, William E. Deluca Elementary School, Robert Moses Middle School, Business Office, and Bus Garage. The energy savings measures contemplated are as follows:

<b>Equipment Measures by Category</b>	<b>Value</b>
Interior Lighting LED Retrofit	\$1,745,643
Exterior Lighting LED Retrofit	164,766
Building Envelope Weatherization	459,375
Renewable Energy Generation- Solar PV	8,967,816
Replace Rooftop Units	70,315
HVAC Controls Upgrades	2,258,396
Steam Trap/TRV Rebuilds & Replacements	345,191
Boiler Burner Controllers	65,965
Mechanical Insulation	154,911
Replace Select Boilers	<u>2,916,079</u>
Total:	<u>\$17,148,457</u>

**FINANCIAL TERMS**

**Lessee:** North Babylon Union Free School District, a school district and political subdivision of the State of New York.

**Lease**

Any proposed Lease shall define the purpose and objective of the financing and the rights and obligations of each party to the financing. Further, the Lease will specify the applicable interest rate, as well as contractual terms and conditions. The form of the lease purchase agreement, and any related documents must be submitted with the proposal. Proposers must satisfy themselves that credit approval will be granted prior to submitting a proposal. All finance documents are subject to negotiation and modification by the District's 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, Local Finance Law, Education Law, Energy Law and the regulations of the New York State Education Department, the Commissioner of Education and the Office of the New York State Comptroller. The District's attorneys will review and approve all documents before consideration and/or approval by the Board of Education.

*Lessor will be required to provide a form of standard lease purchase agreement and escrow agreement with proposal.*

### **Lease Assignment**

Assignment of the Lease and related documents by the successful proposer shall be subject to the prior, written consent of the District. 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. In no event shall any assignment be in the form of Certificates of Participation.

### **Amount**

The amount to be financed under the Lease is \$17,148,457. Lessor shall be responsible for all fees of Lessor including legal, issuance, origination, commitment and closing costs. The District shall not incur or absorb any fees of Lessor related to Lessor's proposal, negotiations, closing or other activities related to this RFP or the proposed transaction under any circumstances. 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.

### **Specifications**

Interest Rate The Lease Proposal must provide interest rate terms for a lease-purchase option to mature on July 19, 2038 and shall state the interest rates under any options at which the proposing firm will provide the District with financing under the Lease. The Proposal must also cite the index and margin used in establishing the interest rates cited.

Prepayment: The Proposal must state that District will have the right, at its option, to prepay the principal portion outstanding on the Lease, in whole or in part, at any time following 30 days' written notice to the Lessor. The Proposal must disclose additional fees and terms, if any, that are applicable to this prepayment right, in addition to interest payable. The Proposal must also disclose how such amounts are to be calculated in the event that the District exercises its right of partial or whole prepayment. The proposal shall include an option to prepay without penalty.

Subject to the terms of the Inflation Reduction Act, the District may be eligible for a grant for a portion of the project. The District retains the ability to make an additional one-time prepayment of the loan.

Lease Payments The District will make periodic payments to the Lessor under the Lease. 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 Lease, shall result in substantially level or declining annual lease payments (without taking into account projected State aid or annual energy savings). Lease payments shall be detailed in an amortization schedule prepared by the proposer and provided to the District with its Proposal. For illustrative purposes, please assume a closing date of July 19, 2023 when developing an amortization schedule. Thereafter, payments of principal and interest will be made semi-annually in arrears on each January 19th and July 19th with the first combined principal and interest lease payment to be due on July 19, 2024. Lessor shall provide a statement and thirty days notification prior to each payment due date.

The Proposal must state that the interest rate and other terms cited in the proposal will be good through August 1, 2023. The Lease shall not become effective until the delivery of funds.

Term The Lease-Purchase Agreement is scheduled to close on July 19, 2023 and mature on July 19, 2038.

Escrow Upon closing, the lease proceeds will be deposited in an escrow account to be utilized over the course of project construction (the "Project Fund"). The escrow agent must be a bank or trust company located and authorized to do business in New York State (the "Escrow Agent"). Investment and collateralization of the moneys in such fund will be solely at the direction of the District and must be in compliance with New York State General Municipal Law

Sections 10 and 11 as well as the District's investment policy. ***A copy of the District's Investment Policy is attached to this RFP for reference.*** The Escrow Agent shall be an agent of the District. The Project Fund shall be free of any security interest of the Escrow Agent. Any fees of the Escrow Agent shall be borne by the successful bidder.

1. At the option of the District, the moneys in the Project Fund may be held uninvested in the Project Fund. If invested, the Escrow Agent shall invest amounts on deposit in the Project Fund solely at the written direction of an Authorized Officer of the District. All investments made shall be subject to the following conditions:
  - (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 bonds or notes, shall be payable or redeemable in any event, at the option of the District, within two years 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, shall be registered or inscribed in the name of the District and 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 of the District. 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, and District Policy and/or Regulation, including the required collateralization of escrow funds.
3. The Escrow Agent will expressly acknowledge that the District 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.
4. Monies and investments in the Escrow Fund are owned by the District and shall not be subject to levy, security interest, attachment or lien by or for the benefit of the Escrow Agent, or any creditor thereof. All interest earnings on the funds deposited into the Escrow Fund shall accrue to the benefit of the District.

Excess Proceeds In the event that there are excess proceeds available in the Project 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 each lease payment thereafter until fully utilized. Such use of funds will not constitute lease prepayment and will not be subject to administrative fees or charges.

UCC Filing The District will not provide a legal description for each 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 shall obtain such information at its own effort and expense.

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

Annual Appropriation The District's obligation to make lease payments is subject to appropriation each year by the Board of Education of the District.

Non-Funding/Executory Clause Pursuant to the General Municipal Law §109-b, and the Energy Law §9-103, the

Lease shall contain an executory clause which shall state that should payments not be appropriated by the District in any fiscal year; the District will not be obligated to pay the amounts due beyond the end of the last funded fiscal year and no liability on account thereof shall be incurred by the District beyond the amount of such monies. The financing contract is not a general obligation of the District. Neither the full faith and credit nor the taxing powers of the District are pledged to the payment of any amount due or to become due under the financing contract. In the case of a failure to appropriate, the sole security under the Lease shall be the Equipment. 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 there shall be no disruption to the District's operation to the extent possible. Any such sale or seizure must be conducted in conformity with all applicable law, including the New York Uniform Commercial Code.

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 District 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 request, appropriate or make monies available for the purpose of the contract."

Financing Documents Upon submission of the proposal and following notification of the award, the prospective Lessor must provide the District with a draft of its proposed financing documents, which will incorporate proposed terms and append sample documents provided with submission. Proposed financing documents and notification of credit approval for the transaction will be due no later than **June 14, 2023**. All financing documents are subject to modification by District counsel. Closing is subject to successful negotiation and approval of all documents by counsel to the District. The District reserves the right to rescind any award due to failure of successful negotiation of the parties to agree to the terms and conditions thereof and to recover its costs in connection therewith. Closing is subject to final approval by the District Board of Education, by resolution. Unless otherwise provided by a duly adopted resolution by the Board of Education, the prospective Lessor is advised that the Board President is the sole authorized representative of the District for the purpose of signing documents related to this Lease.

Lease Termination Upon termination of a Lease through exercise of the District's option to prepay or through payment by the District of all Rental Payments and other amounts due with respect to such particular Equipment, Lessor's security interest in such Equipment shall terminate, and Lessor shall execute and deliver to the District such documents as the District may reasonably request to evidence the termination of Lessor's security interest in such Equipment.

#### Tax Status

The Lease shall qualify as a tax-exempt lease financing, that is, the interest component of the Lease will be exempt from Federal, New York State and, where applicable, New York City taxation and is not a specific preference item for purposes of the federal alternative minimum tax, however for tax years beginning after December 31, 2022, the interest component of the Lease will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Internal Revenue Code. The Lease will not be designated as "bank qualified" pursuant to Section 265(b)(3) of the Internal Revenue Code. 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.

Credit Rating Moody's Investors Services, Inc. currently maintains a "Aa3" rating on the District's outstanding general obligation debt. The District will not seek a rating for the Lease.

Binding Authority Each Proposal must be signed by an individual who is legally authorized to contractually bind the proposing firm.

Purchase Price and Certificate The Lessor must submit to the District a certificate (the "Issue Price Certificate"), satisfactory to Bond Counsel, prior to the delivery of the Agreement, which states that the Lessor has purchased the Agreement for its own account and not with a view to distribution or resale and not in the capacity of a bond house,

broker or other intermediary, and the price or prices at which such purchase was made, in such form and including such additional information as the District and Bond Counsel shall reasonably require.

Financial Information Links to select credit and project information may be found as follows:

- Link to Energy Performance Contract between the District and Energy Systems Group, LLC dated April 2022: <http://www.capmark.org/RFPs.html>
- Link to Official Statement related to the District's \$11,005,000 School District Serial Bonds-2023: <https://emma.msrb.org/P21731640.pdf>
- Link to District Budget Information: <https://www.northbabylonschools.net/page/business-office>
- Link to FYE 6/30/2022 Audit: <https://emma.msrb.org/P21683877.pdf>
- Link to FYE 6/30/2021 Audit: <https://emma.msrb.org/P11613316.pdf>
- Link to FYE 6/30/2020 Audit: <https://emma.msrb.org/P21506710.pdf>

### **Evaluation Process**

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

### **Amendments to RFP**

Any verbal information obtained from or statements made by the 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 RFP documents or binding upon the District. Only such corrections or addenda that are issued in writing to all proposers shall become a part of the RFP. Any addendum issued in writing during the RFP process will become a part of any subsequent contract agreement.

### **Legal Requirements**

The Lease is required to conform to the laws of the State of New York, including, but not limited to, General Municipal Law, Local Finance Law, Education Law, Energy Law and regulations promulgated by the Commissioner of Education and the Office of the State Comptroller.

### **Submission Requirements**

In addition to submitting a completed **Proposal Response Form** as attached hereto, each proposing firm must include:

1. Examples of its prior experience with three (3) similar size closed lease financings for school districts in New York State;
2. Three references from jurisdictions that your firm has provided lease financing to in the past year in New York State; and
3. Any other information that would favor the use of your financial institution by the District.

Proposals are due by **11:00 a.m. on Thursday, May 25, 2023** by e-mail to:

**Frank Bacchi**

Assistant Superintendent for Business  
North Babylon Union Free School District  
Tel: (631) 620-7025  
[fbacchi@northbabylonschools.net](mailto:fbacchi@northbabylonschools.net)

**Janet Morley**

Senior Vice President  
Capital Markets Advisors  
Tel: 516-570-0340  
[jmorley@capmark.org](mailto:jmorley@capmark.org)

Questions regarding this RFP may be directed to Janet Morley.

### **Basis of Award**

The District reserves the right, in its sole discretion, to reject any and all proposals, or any part thereof, received in response to this Request for Proposals, to re-solicit 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 meets the District's needs for the 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, optional redemption provisions, responsiveness of each proposal to the terms of this RFP and applicable law, the terms and conditions of the proposed agreement, experience, qualifications and reputation of the proposer in the State of New York. The adequacy of qualifications of proposers will be determined by the district and will not be subject to appeal. The District will not have any liability to any proposer for any costs or expenses incurred in connection with its response to the request for proposals.

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

Following receipt of the completed proposals, tentative notification will be made to the prospective Lessor whose response best meets the District's needs and otherwise appears to meet the basis for award. It is expected that a formal award will be made by the Board of Education at its July 13, 2023 meeting, subject to and contingent upon final review of the Lease and all financing documents by the District's legal counsels. Note that the prospective Lessor must provide the District with a draft of its proposed financing documents, together with notification of credit approval in order for District officials to accept and grant final approval.

### **Tax Opinion**

The successful proposer will be furnished without cost with the opinion as to tax exemption of the law firm of Hawkins Delafield & Wood 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 gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) such interest 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 paid by the District 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.

### **Opinion of School Attorney**

At closing, the District shall furnish a validity opinion of Guercio & Guercio, LLP ("School Attorney"), dated the closing date, including a statement to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the execution or delivery of the installment financing agreement by the District

### **Summary of Estimated Dates**

RFP Sent to Providers:	May 16, 2023
Proposal and Response Form Due:	May 25, 2023 (by 11:00 a.m.)
Selected Lessor Tentatively Approved:	May 25, 2023 *
Credit Approval Completed:	June 14, 2023
Draft Documents Delivered:	June 14, 2023
District Board Meeting Date:	July 13, 2023 Lease approved
Closing of Lease:	July 19, 2023

\*Subject to formal award by members of the Board of Education on July 13, 2023.

The District reserves the right to modify these dates.

Thank you for your interest in the North Babylon Schools.

**END OF RFP**

**ATTACHMENT "A"**  
**PROPOSAL RESPONSE FORM**

May 25, 2023

Ladies and Gentlemen:

In response to North Babylon Union Free School District's (the "District") Request for Proposals ("RFP"), the undersigned, an authorized representative of \_\_\_\_\_ commits said firm to enter into a Lease-Purchase Agreement to provide the required refinancing of the project cost including equipment provided to the District by Energy Systems Group, LLC under an Energy Performance Contract. We understand that this Lease-Purchase Agreement is subject to the approval of the District's Board of Education. The submission of this Response Form indicates that we have read the District's RFP and are fully informed as to the extent and character of this request and we can satisfactorily comply with all specifications of the RFP.

We understand the District will repay such lease in periodic installments, including interest and all financing costs. We understand the lease-purchase agreement shall be funded following the approval of the District's Board of Education.

Our proposal, the terms of which are good through and including August 1, 2023, is as follows:

The principal amount of the lease will be: \$17,148,457

Lease Maturity will be: July 19, 2038

The interest rate on this loan will be: \_\_\_\_\_%

The index used to establish this interest rate is: \_\_\_\_\_

The margin added to the index to establish this interest rate is: \_\_\_\_\_

Prepayment Terms: \_\_\_\_\_

Lease payments will be payable on: \_\_\_\_\_

Other required fees, if any (please explain): \$ \_\_\_\_\_

Proposing Firm: \_\_\_\_\_

Contact: \_\_\_\_\_

Address: \_\_\_\_\_

Tel.: \_\_\_\_\_

E-mail: \_\_\_\_\_

***Proposer Attachments: Sample Lease and Escrow Documents***

## ATTACHMENT "B"

### NORTH BABYLON UNION FREE SCHOOL DISTRICT

#### POLICY 5220

#### **DISTRICT INVESTMENTS**

Whenever the District has funds (including operating funds, reserve funds and proceeds of obligations) that exceed those necessary to meet current expenses, the Board of Education shall authorize the School Business Official to invest such funds in accordance with all applicable laws and regulations and in conformity with the guidelines established by this policy.

#### **Objectives**

The objectives of this investment policy are three-fold:

- a) Investments and Bank Deposits shall be made in a manner so as to safeguard the funds of the School District; and
- b) Investments shall be sufficiently liquid so as to allow funds to be available as needed to meet the obligations of the School District; and
- c) Funds shall be invested in such a way as to earn the maximum yield possible given the first two (2) investment objectives.

#### **Authorization**

The authority to deposit and invest funds is delegated to the School Business Official. These functions shall be performed in accordance with the applicable sections of the General Municipal Law and the Local Finance Law of the State of New York.

The School Business Official may invest funds in the following eligible investments:

- a) Obligations of the State of New York;
- b) Obligations of the United States Government or any obligations for which principal and interest are fully guaranteed by the United States Government;
- c) Time Deposit Accounts placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law. (Banking Law Section 237(2) prohibits a savings bank from accepting a deposit from a local government. This also applies to savings and loan associations.);
- d) Transaction accounts (demand deposits) both interest bearing and non-interest bearing that do not require notice of withdrawal placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law;

(Continued)



**SUBJECT: DISTRICT INVESTMENTS (Cont'd.)**

- e) Certificates of Deposits placed in a commercial bank authorized to do business in the State of New York providing the Certificates are collateralized as required by law; and
- f) Securities purchased pursuant to a Repurchase Agreement whereby one party purchases securities from a second party and the second party agrees to repurchase those same securities on a specific future date at an agreed rate of return (the interest rate).

**Implementation**

Using the policy as a framework, regulations and procedures shall be developed which reflect the following:

- a) A list of authorized investments;
- b) Procedures including a signed agreement to ensure the School District's financial interest in investments;
- c) Standards for written agreements consistent with legal requirements;
- d) Procedures for the monitoring, control, deposit and retention of investments and collateral which shall be done at least once a month;
- e) Standards for security agreements and custodial agreements consistent with legal requirements;
- f) Standards for diversification of investments including diversification as to type of investments and firms and banks with whom the School District transacts business; and
- g) Standards for qualification of investment agents which transact business with the School District including, at minimum, the Annual Report of the Trading Partner.

This policy shall be reviewed and re-adopted at least annually or whenever new investment legislation becomes law, as staff capabilities change or whenever external or internal issues warrant modification. The investment, monitoring and reporting of available District funds must adhere to the relevant provisions of the General Municipal Law.

Education Law Sections § 1704, § 1720, 2503(1) and 3652 §1950(4)(k)

General Municipal Law Section 39 §11 (2)

Local Finance Law Section 165

Adoption Date: July 22, 2010 as amended; December 19, 2013