

**TRANSFER \$ FROM YOUR UTILITY BILLS TO YOUR EDUCATION BUDGET
BY RICHARD G. LUBINSKI, THINK ENERGY MANAGEMENT, LLC**

As Administrators of Charter Schools, you are challenged by expanded educational and administrative requirements and are under constant budgetary pressure due to rising costs. A part of these costs are utility bills that theoretically were supposed to be going down due to the “promises made” about utility deregulation. Unfortunately, this trend of rising utility costs will probably continue in the foreseeable future. *Hidden in this administrative challenge is the “opportunity” available to your organization through demand-side energy management.*

In most buildings, utility dollars are being wasted at a time when the cost of the energy is increasing. This is an ideal time to focus on your facility’s utility costs and look for self-funded energy management improvements. Intelligent energy management projects not only produce *permanent reductions in your operating costs*, they pay for themselves and often generate higher return on investment (ROI) and produce higher net present value (NPV) than many alternative investments for your scarce capital dollars. A bonus of many intelligent energy management projects is improvement in your building’s lighting, comfort, etc.

The place to start is getting your arms around your building’s actual energy costs. This can be done in a spreadsheet based on the past 12 to 24 months of electricity, natural gas, water/sewer, and any other energy related expenses. A fast and easy method to collect some of the same information is to request the utility companies and/or 3rd party energy commodity providers to fax or email

you a 12 to 24 month *detailed energy billing history* (account number, meter number, billing dates, meter readings, energy consumption, dollars billed, etc.). Your energy consumption history and seasonal relationships matter in the evaluation of your Supply-Side and Demand-Side energy management opportunities. The next step is to review this data with an independent energy consultant (professional without any ties to any product or service). Your building’s energy history and profile is then added to an understanding of your building’s operations. Your building operations include type of hours of operation, lighting/mechanical system, automatic or manual controls, and operational needs.

Intelligent energy management projects not only produce permanent reductions in your operating costs, they pay for themselves....

There are educational and technical resources available from government and private websites like www.doe.gov and www.think-energy.net. While “simple payback period” is an overly simplistic management tool, it is easy to understand and useful to compare the “relative value” of the Energy Conservation Measures (ECMs) that could be applied to your building(s). Examples of some typical payback periods for ECMs which depend on your operat-



ing hours and local utility costs can be found at [:http://www.think-energy.net/ecm_payback.htm](http://www.think-energy.net/ecm_payback.htm).

These typical payback periods can be improved if your area has Demand-Side Management (DSM) energy efficiency rebates. Some electric utility companies offer cash rebates to building owners who invest in energy efficiency improvements in their buildings. These rebate programs are generally based on the size of your electricity consumption (KWH) reduction and/or electrical demand peak (KW) reduction created by your energy efficiency improvements. In some states there are “public benefit” funds created and administered by the state and funded through KWH taxes added to your monthly electricity bills.

The recent trends in natural gas (NG) have been alarming, and the trend continues towards higher long-term cost based on NG consumption trends, NG held in storage, NG wells that are being drilled (rig count), and other market factors. The only relief in sight is the relatively new development of importing NG from overseas via liquidified natural gas (LNG). Like crude oil, this is the beginning of the country’s dependence on another energy source from outside the country.

If you are able to eliminate the waste of energy dollars in your facility,

TRANSFER \$... CONTINUED

these funds can be used to (a) self fund energy efficiency improvements and then (b) return to your school's checkbook to be used for more important uses (educational programs, teachers salaries, etc.)◇

A 62-page Power Point presentation is available from the 2005 Ohio Charter Schools Conference entitled "Saving Money with Energy Management." Send an email to rick@think-energy.net for a free electronic copy of this OCS workshop presentation.

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PITFALLS AND POTHOLES

BY BRENT VAN ALFEN, PROVIDENCE FINANCIAL CO., INC.

It has been said that a fanatic is one who, after losing his way, increases his speed.

Many of us are guilty of this to one degree or another in our businesses and professions. We sometimes get "locked on" to an idea or a way of doing something and do not adequately review alternative approaches to a problem. This is how we fall into the many pitfalls and potholes of managing our business.

I would like to point out a couple of examples where we can fall into a trap in the area of financing our facilities or equipment. For one, we often go along with a financing institution's requirements without asking them, or ourselves, one simple question. Why? When we ask "why," we will learn some very interesting facts. For example, there is the whole issue of rating a bond issue. Why should you do it? It takes a long time, and it costs money. Who does it benefit? Some underwriters require that charter school bonds be rated, so the market for the bonds will be broader. In other words, it is easier for the underwriter to sell the bonds if they are rated because of the client base with which they ordinarily deal. What most charter school

operators don't understand is that there are other underwriters in the market who can sell the bonds without getting them rated. It may be argued that if the bonds are rated, the interest rates may be more favorable. However, there are many instances where unrated bonds are sold at interest rates that are lower than their rated counterparts. The whole issue of getting bonds rated is really the underwriter's problem, not the school's. Unless the school management understands that, however, it becomes the school's problem.

I have seen many situations where buildings have been financed up to one hundred percent of the purchase price.

I have attended and presented at a number of state charter school conferences in the past two months. It has been great to meet the people who make the exciting new movement of charter schools work where it counts--at the grass roots. I have learned of many misconceptions some charter school operators have that leave them stranded in the pothole of perpetually renting a building.

Many think that since they don't have much cash, they cannot buy a building. This is not always true. I have seen many situations where buildings have been financed up to one hundred percent of the purchase price. Why rent when you can own? Yes, there are many lenders who require down payments that are beyond the school's ability to meet. There is another whole class of lenders, however, who look primarily at the cash flow generated by a school, and they are not as concerned about loan-to-value ratios. Charter schools have a huge advantage in that their income sources are municipal entities. Their receivables are secure. They do not have to call to collect receivables or write off bad debts like regular businesses must. I have heard lenders call charter schools "quasi-public" entities. That is a huge advantage that charter operators must use in financing their facilities. If you are sitting in your banker's office worrying about down payments, you are in a pothole that you don't need to be in.

My job is to help you know what the market is, where you can find a lender or underwriter who fits your needs, and how to get the best deal out of them. I hope to hear from you when you are ready to finance or refinance your facilities. ◇

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Attention Charter Schools

WHY RENT WHEN YOU CAN OWN?

Ask About Our:

- ⇒ 100% Financing
- ⇒ No Down Payment
- ⇒ 5^{1/2}-5^{3/4} % Fixed Rate
- ⇒ 20-Year Term

MONEY AVAILABLE FOR:

- ◆ Facilities acquisition and remodeling
- ◆ Facilities construction and permanent loans
- ◆ Intermediate-term furniture & equipment financing
- ◆ Financing for school buses
- ◆ Consulting and advice

FINANCING FOR START-UPS & SCHOOLS UNDER 2-YRS. OLD

We have finally located financing for your facilities. To be considered you must:

- Have an excellent business plan
- Have 3-yr. financial projections
- Have a substantial number of students committed
- Have at least 20% equity from non-debt sources
- Have experienced, professional founders & staff

TAKE NOTE

We also have an excellent source for small facilities financing projects of \$5M or even smaller. Call for details.

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