

**CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED
TRANSPORTATION FINANCING AUTHORITY (CAEATFA)
BOND FINANCING PROGRAM**

Meeting Date: April 6, 2010

Request for Initial Resolution

Prepared by: *Samantha Russell*

Applicant: Fallbrook Public Utility District	Amount Requested: \$7,227,000
Project	Application No.: 10-002
Location: San Diego County	Initial Resolution No.: 10-002

Summary. Fallbrook Public Utility District (FPUD) requests approval of an Initial Resolution for an amount not to exceed \$7,227,000 to finance the purchase and installation of a photovoltaic (PV) solar electric system. In authorizing this Initial Resolution California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) is to serve as an applicant to the California Debt Limit Allocation Committee (CDLAC) for re-allocation of Qualified Energy Conservation Bonds (QECCB). FPUD anticipates a reduction in operating costs after the system is installed. If approved by CDLAC, FPUD will request CAEATFA to issue this proposed project's QECCB.

Borrower. FPUD operates as a public agency under the Public Utility District Act of the State of California. Fallbrook Public Utility District was incorporated as a political subdivision of the State of California in 1922.

Legal Questionnaire. The Staff has reviewed FPUD's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. FPUD intends to use 9.5 acres of existing open and available land at its Alturas Road Waste Water Treatment Plant (the "Plant") to install a 1 megawatt (MW) solar electric system which will offset approximately 76% of the Plant's current electricity. The turnkey solar power plant installation will use a single-axis tracking system that will follow the sun each day to produce optimum energy production.

The proposed solar project is expected to produce approximately 2.4 million kWh (kilowatts per hours) of ~~renewable electricity from solar~~ energy each year, enough to provide for 147 households in California. According to the Federal Environmental Protection Agency "Greenhouse Gas Equivalencies Calculator", the estimated clean energy produced by the project would offset 1,724 metric tons of carbon dioxide (CO2) emissions per year, the equivalent of taking 330 passenger vehicles off the road.

The project scope includes all site assessment, design and engineering, site preparation, all permits, equipment, construction, ~~and system commissioning (as part of installation), start-up, operations training, and two years of comprehensive operation and management.~~

The ~~Project~~ project will create 37.6 temporary jobs.

The anticipated ~~Project~~ project and issuance costs are listed below:

Engineering & Design	\$ 126,473
Permitting	72,270
PV Photovoltaic Equipment	3,938,715
Construction & Installation	1,788,683
Interconnection - Electric	686,565
Sales Tax	343,283
Metering Costs	126,473
Cost of Issuance	144,540
Total:	<u>\$7,227,000</u>

Anticipated Timeline. The project will take six to nine months to complete after the start date, which is June 2010.

Permits. Detailed construction permits and environmental approval will be handled in the actual installation project. FPUD is self-permitting. CEQA will be handled by FPUD.

Volume Cap Allocation. CAEATFA anticipates applying to CDLAC on May 26, 2010, on behalf of FPUD.

Financing Details. FPUD anticipates selling the QECCBs through private placement, with MuniBond Solar arranging such placement with a Bank or qualified institutional investor. Alternatively, the District, – upon notice of an allocation of the QECCBs– will consider in consultation with CAEATFA- issuing the QECCBs via public sale (and engaging the services of a qualified Bond Underwriting firm at that time). The District would proceed with the most cost effective method of QECCB sale with the objective of closing its solar financing by the end of August 2010.

The District has ready access to the municipal capital markets and with investment grade municipal bond credit rating for a lease revenue structure estimated in the “AA” category.

Financing Team.

Bond Counsel: Jones Hall
Financial Advisor/ Placement Agent: MuniBond Solar
Issuer’s Counsel: Office of Attorney General
Underwriter: TBD

Staff Recommendation. Staff recommends approval of Initial Resolution No. 10-002 for Fallbrook Public Utility District for an amount not to exceed \$7,227,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE A QUALIFIED ENERGY CONSERVATION PROJECT FOR
FALLBROOK PUBLIC UTILITY DISTRICT**

April 6, 2010

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Alternative Energy and Advanced Transportation Financing Authority Act (“Act”) to issue bonds for the purpose of providing ~~Financial-financial Assistance-assistance (as defined in the Act) to Participating-participating Parties-parties (as defined in the Act) for the financing of land, buildings, improvements to the land or buildings, rehabilitation, work, property, or structures, real or personal, stationary or mobile, including, but not limited to, machinery and equipment, whether or not in existence or under construction, that utilizes, or is designed to utilize, an alternative source in connection with the acquisition and construction of Renewable Energy Projects-~~(as ~~such terms are~~ defined in the Act); and

WHEREAS, Fallbrook Public Utility District (the “Applicant”), has requested that the Authority assist in financing facilities for the qualified energy conservation solar project described on the attached Exhibit A (the “Facilities”); and

WHEREAS, the Authority desires to encourage the Applicant to finance the Facilities, as such Facilities utilize alternative methods and sources of energy, in furtherance of the purposes of the Authority, as specified in Section 26002 of the Act; and

WHEREAS, the Applicant has determined to finance the Facilities through a financing structure which provides the lowest cost of funds to the Applicant for the Facilities, and has also determined that the lowest cost of funds to finance the Facilities will be achieved if the obligations issued to finance the Facilities are issued as “Qualified Energy Conservation Bonds” (“QECBs”) under Section 54D of the Internal Revenue Code of 1986 (the “Tax Code”), as amended, added to the Tax Code by the American Recovery and Reinvestment Act of 2009, and ~~are is~~ requesting the Authority to issue the bonds as QECBs; and

WHEREAS, QECBs may only be issued if the issuer of the QECBs has received an allocation from the California Debt Limit Allocation Committee; and

WHEREAS, in addition, the Applicant requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Applicant expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this Resolution, the Authority reasonably expects that debt obligations in an amount not expected to exceed in the aggregate \$7,227,000 will be issued, and that certain of the proceeds of such debt obligations will be used to reimburse the Applicant for its prior expenditures for the Facilities; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. ~~For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.~~

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$7,227,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Applicant costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement, lease agreement, installment sale agreement or other agreement to be entered into between the Authority and the Applicant in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority has first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan or advance of the proceeds thereof to the Applicant; (ii) all requisite governmental approvals have been obtained; (iii) a Final Resolution has been received from the Authority; and (iv) an allocation to issue the bonds as QECBs has been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to: (1) indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Applicant by defraying the cost of the Facilities; and (2) submit an application to the California Debt Limit Allocation Committee for Qualified Energy Conservation Bond Allocation for the bonds to be issued by the Authority to fund the Facilities, subject to due compliance with all

requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, as applicable under Section 54A(d)(2)(D) of the Tax Code. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on April 6, 2013 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Applicant, accompanied by an explanation of the reason why the applicable project listed above in the definition of “Facilities” has not proceeded prior to the date of the letter.

Exhibit A

Description of Applicant’s Qualified Energy Conservation Bond Project

Fallbrook Public Utility District
Wastewater Treatment Plant

~~Fallbrook Public Utility District has determined, provided certain conditions are met, to finance, construct and own one proposed~~A solar generating facility consisting of (i) a 1 MW solar electric system to provide ~~clean renewable~~electric energy for consumption at the District’s Wastewater Treatment Plant, located at 1425 Alturas Road in San Diego County, CA.

The District has entered into a design-build contract with SunPower Corporation for the construction and maintenance of the system and expects to issue a “Notice-to-Proceed” as soon as the financing of the QECBs and/or other funding mechanisms are closed on or about August 24, 2010.