

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

Meeting Date: April 6, 2010
Request for Initial Resolution

Prepared by: *Heather Williams*

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| Applicant: Oakland Unified School District | Amount Requested: \$7,500,000 |
| Project | Application No.: 10-003 |
| Location: Alameda County | Initial Resolution No.: 10-003 |

Summary. Oakland Unified School District (OUSD) requests approval of an Initial Resolution for an amount not to exceed \$7,500,000 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 (QECB). OUSD anticipates a reduction in operating costs after the system is installed. If approved by CDLAC, OUSD will request CAEATFA to issue this proposed project’s QECB.

Borrower. OUSD is a public school district organized under the laws of the State of California which serves the residents of the city of Oakland. OUSD operates under a locally elected seven-member board of directors. OUSD serves over 38,000 students in 109 K-12 schools. OUSD was founded in the 19th century as part of the city’s birth as a bedroom community for families working in San Francisco.

Legal Questionnaire. The Staff has reviewed OUSD’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. OUSD plans to use available rooftop space at the site of its future Downtown Education Center in Oakland, CA to install a solar electric system which will offset a 100% of the Center’s electricity demand with 100% clean renewable energy.

The proposed solar project is expected to produce approximately 1,136,800 kWh of ~~clean renewable~~ electricity from solar energy per year. According to the Federal Environmental Protection Agency’s (EPA) “Greenhouse Gas Equivalencies Calculator,” the estimated clean energy produced by this solar project would offset 816 metric tons per year of Carbon Dioxide emissions, the equivalent of taking 156 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 will create 26 temporary jobs.

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

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| Engineering & Design | \$ 131,250 |
| Permitting | 75,000 |
| PV Photovoltaic Equipment Costs | 4,087,500 |
| Construction & Installation | 1,856,250 |
| Interconnection - Electric | 712,500 |
| Sales Tax | 356,250 |
| Metering Costs | 131,250 |
| Cost of Issuance | 150,000 |
| Total: | <u>\$7,500,000</u> |

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

Permits. Early in the project, the solar vendor and the District will coordinate through the Department of State Architect (DSA) to obtain all necessary construction and environmental approvals.

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

Financing Details. OUSD anticipates selling the QECCB 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 a public sale method of QECCB issuance. The District will select the method of sale result expected to result in the lowest net borrowing costs.

The District has ready access to the municipal capital markets with investment grade municipal bond credit rating, and issued a \$25 million, similar tax credit bond (Qualified School Construction Bond) in the summer of 2009 .

Financing Team.

- Placement Agent / Underwriter:** MuniBond Solar / TBD
- Bond Counsel:** Jones Hall
- Financial Advisor:** KNN Public Finance
- Issuer’s Counsel:** Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 10-003 for Oakland Unified School District for an amount not to exceed \$7,500,000.

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
OAKLAND UNIFIED SCHOOL 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, Oakland Unified School 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 \$7,500,000 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 \$7,500,000 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

Oakland Unified School District

~~The Oakland Unified School District has determined, provided certain conditions are met, to finance, construct and own a proposed~~ solar generating facility consisting of an 800 kW solar electric system to provide ~~clean renewable~~electric energy for consumption at the District’s Downtown Education Center, located at East 10th Street between 2nd and 4th Avenues, in the City of Oakland, CA.