

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY  
BOND FINANCING PROGRAM**

**Meeting Date: April 6, 2010**

***Request for Initial Resolution***

Prepared by: *Heather Williams*

<b>Applicant:</b> Lodi Unified School District	<b>Amount Requested:</b> \$16,900,000
<b>Project</b>	<b>Application No.:</b> 10-006
<b>Location:</b> San Joaquin County	<b>Initial Resolution No.:</b> 10-006

**Summary.** Lodi Unified School District (LUSD) requests approval of an Initial Resolution for an amount not to exceed \$16,900,000 to finance the purchase and installation of a photovoltaic (PV) solar electric system. In authorizing this Initial Resolution CAEATFA is to serve as an applicant to the California Debt Limit Allocation Committee (CDLAC) for re-allocation of Qualified Energy Conservation Bonds (QECB). LUSD anticipates a reduction in operating costs after the system is installed. If approved by CDLAC, LUSD will request CAEATFA to issue this proposed project’s QECB.

**Borrower.** LUSD is a public sector school district organized under the laws of the state of California that encompasses 350 square miles. LUSD was created in 1967, when voters approved the merger of 18 elementary districts and union high school district. The boundary, established in 1922, followed that of the old Lodi Union High School District.

**Legal Questionnaire.** The Staff has reviewed LUSD’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.** LUSD plans to use available parking lots and rooftop space at three school sites to offset approximately 85% of the school’s electricity charges with 100% clean renewable energy. The system sizes (capacity) are derived by optimizing available space without exceeding the current peak electricity demand for each school.

The proposed solar project is expected to produce approximately 3,794,172 kWh (kilowatts per hours) of renewable electricity from solar energy each year, enough to provide for 138 households in California. According to the Federal Environmental Protection Agency “Greenhouse Gas Equivalencies Calculator”, the estimated clean energy produced by the project would offset 2,725 metric tons of carbon dioxide (CO2) emissions per year, the equivalent of taking 521 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 68 temporary jobs.

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

Engineering & Design	\$295,750
Permitting	169,000
<del>PV</del> Photovoltaic Equipment Costs	9,210,500
Construction & Installation	4,182,750
Interconnection - Electric	1,605,500
Sales Tax	802,750
Metering Costs	295,750
Cost of Issuance	338,000
<b>Total:</b>	<b><u>\$16,900,000</u></b>

**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 LUSD will coordinate through the Department of State Architect (DSA) to obtain all necessary construction and environmental approvals.

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

**Financing Details.** LUSD anticipates selling the Qualified Energy Conservation Bonds (QECCB) through negotiated public sale underwritten by Stone & Youngberg. However, the District may consider other methods of sale, including private placement, and will execute the issuance of the QECCBs in a manner expected to result in the lowest financing cost.

**Financing Team.**

**Underwriter:** TBD  
**Bond Counsel:** Jones Hall  
**Financial Advisor:** MuniBond Solar  
**Issuer's Counsel:** Office of Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 10-006 for Lodi Unified School District for an amount not to exceed \$16,900,000.

*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  
LODI 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, Lodi 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 \$16,900,000 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 \$16,900,000 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

#### Lodi Unified School District

~~The Lodi Unified School District has determined—provided certain conditions are met and subject to competitive selection process now underway—to finance, construct and own a proposed multi-campus solar project consisting of~~One of more solar generating facilities at up to three sites indicated below with a combined aggregate electricity generating capacity ~~not to exceed~~up to 2.1 MW.

School	Address	City	Size (kWp)
Bear Creek High School	10555 Thornton Road	Stockton	811.44
Ronald McNair High School	9550 Ronald McNair Way	Stockton	952.56
Christa McAuliffe Middle School	3880 Iron Canyon Circle	Stockton	307.44
Total			2071.44