

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**
Meeting Date: July 28, 2010

***Request for Resolution to Transfer Qualified Energy Conservation Bond (QECB)
Reallocation***

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Summary. Oxnard Union High School District (the “District”) requests approval of a Resolution to consent to a transfer of the California Debt Limit Allocation Committee’s (“CDLAC”) reallocation of Qualified Energy Conservation Bonds (“QECB’s”) from CAEATFA to the District in the amount of \$25,148,710.

Background. Oxnard Union High School District requested CAEATFA to make an application to CDLAC for a re-allocation of the QECBs. The Application submitted by CAEATFA to CDLAC listed CAEATFA as both the Applicant and Issuer, and the District as the Project Sponsor, but did not know at the time whether bonds would be issued through a public sale or private placement. As part of its efforts to finance the QECB Program the District sought and accepted a private placement proposal from Bank of America, N.A. (the “Bank”) to finance the District’s QECB Program, as the Bank had financed other similar programs for public entities in California and other States in the past few years.

On May 26, 2010, CDLAC adopted a resolution (the “Allocation Resolution”) which granted a re-allocation of available allocation for QECBs to the District in the amount of \$5,975,242. Section 1 of the Allocation Resolution states that the “Allocation may be used only by the Applicant”. CDLAC also approved a mechanism which would increase the amount of awarded QECB allocation should additional QECB allocation become available to CDLAC prior to August 14, 2010. Two financing structures are available to finance the District’s QECB Program.

One structure would use bonds (the “Bonds”) issued by CAEATFA, under an Indenture of Trust (the “Indenture”), between CAEATFA and a corporate trustee (the “Trustee”), the proceeds of which would be deposited into a project fund held by the Trustee. The Bonds would be secured by lease payments to be made by the District under a lease agreement, between the District and a joint powers authority, Golden West Schools Financing Authority (the “JPA”) of which the District is a member. The documentation for this financing structure would involve the Indenture, the Lease Agreement, and necessary resolutions to be adopted by CAEATFA, the District, and the JPA. The Bonds would be placed with the Bank, pursuant to an agreement between the Bank, CAEATFA and the District.

The use of the Bonds secured by the Lease would make sense in the context of a publicly offered financing, but adds a layer of complexity in terms of documentation that is not needed on the private placement financing contemplated by the District and the Bank.

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The financing could also be structured as a lease financing that would be privately placed with the Bank. Under this structure, the District would enter into a lease (the “Lease”) with the JPA, under which it would agree to make lease payments to the JPA or its assignee for the right to acquire and have the use of the solar panels comprising the QECB Program. Under federal tax law, the Lease would be treated as the QECB, and the District, as the obligor under the Lease, would be treated as the issuer of the QECB. The JPA would assign its rights to receive lease payments payable by the District under the Lease to the Bank, in consideration of the Bank’s agreement to deposit with a custodian funds sufficient to pay the costs of acquiring the QECB Program. The Lease would be privately placed with the Bank. This structure has been successfully completed by other public agencies here in California with the Bank in the past few years on QECB and CREB financings.

As the Allocation was granted to CAEATFA, and the Allocation Resolution limits the use of the Allocation solely to CAEATFA, the Allocation will need to be transferred to the District to complete the financing in the form described as a private placement of a Lease financing, where the District would be the issuer of the QECBs. Any transfer of the Allocation from CAEATFA to the District would need to be approved by CDLAC. CDLAC has agreed to amend the Allocation Resolution to provide for a direct allocation of the QECB award to the District, subject to approval by the CDLAC Board on July 28, 2010.

Staff Recommendation. Staff recommends approval of the Resolution to consent to a transfer of CDLAC’s reallocation of QECB’s from CAEATFA to Oxnard Union High School District for an amount not to exceed \$25,148,710.

**RESOLUTION CONSENTING TO THE TRANSFER OF ALLOCATION FOR A
QUALIFIED ENERGY CONSERVATION PROJECT TO THE OXNARD UNION HIGH
SCHOOL DISTRICT**

July 28, 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 Assistance to Participating Parties in connection with the acquisition and construction of Renewable Energy Projects (as such terms are defined in the Act); and

WHEREAS, Oxnard Union High School District (the “District”), requested the Authority to assist in financing facilities for the qualified energy conservation solar project (the “Facilities”) described in the District’s Board Resolution of Intent to Finance the Facilities, adopted on June 3, 2010 as Resolution No. 10-42; and

WHEREAS, the Authority adopted a Resolution of Official Intent to Issue Bonds to finance the Facilities on April 6, 2010, and submitted an application to the California Debt Limit Allocation Committee (“CDLAC”), requesting CDLAC to reallocate a portion of the American Recovery and Reinvestment Act of 2009 Qualified Energy Conservation Bonds (“QECB Allocation”) to the Facilities; and

WHEREAS, on May 26, 2010, CDLAC adopted Resolution No. ARRA-17, reallocating a portion of the QECB Allocation to the Authority for the Facilities in the amount of \$5,975,242 (the “Oxnard QECB Allocation”); and

WHEREAS, on May 26, 2010, CDLAC also determined that the District, subject to certain conditions, could become eligible for and receive additional QECB allocation from CDLAC prior to August 14, 2010, of up to \$19,173,468 (the “Oxnard QECB Additional Allocation”)

WHEREAS, District has determined to finance the Facilities through a financing structure which provides the lowest cost of funds to the District 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

WHEREAS, the District has determined that the optimal structure for the financing of the Facilities is through a QECB lease financing entered into by the District, as obligor (a “QECB Lease Financing”) privately placed with Bank of America, N.A. or an affiliated banking institution; and

WHEREAS, in order for the QECB Lease Financing to be completed as a QECB under the Tax Code, the Oxnard QECB Allocation must be transferred from the Authority to the District; and

WHEREAS, CDLAC has agreed to the transfer of the Oxnard QECB Allocation from the Authority to the District.

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.

Section 2. The Authority hereby consents to the transfer by CDLAC to the District of the Oxnard QECB Allocation and the QECB Additional Allocation.

Section 3. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter.