

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY
Meeting Date: September 22, 2010**

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

Prepared by: *Heather Williams*

Summary. Lodi Unified School District (the “District” or “Lodi”) 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 (“QECBs”) from CAEATFA to the District in the amount of \$16,900,000.

Background. In April of this year, Lodi requested CAEATFA to make an application to CDLAC for a reallocation of the QECBs in the amount of \$16,900,000 (the “Lodi QECB Allocation”). The Application submitted by CAEATFA to CDLAC listed CAEATFA as both the Applicant and Issuer, and the District as the Project Sponsor. At that time it was anticipated that bonds would be issued through a public sale. However, the District determined that a private placement structure would be more advantageous and as part of its efforts to finance the Lodi QECB Allocation, the District recently received bids for a private placement proposal.

On May 26, 2010, CDLAC approved a resolution placing the District on waiting list for the Lodi QECB Allocation (CDLAC Allocation Resolution). As provided for in that approval, any waived allocation received by CDLAC on or before August 14, 2010, must be transferred to projects on the waiting list. CDLAC received a reverted allocation and notified the District on August 19, 2010 that the District will receive the full Lodi QECB Allocation. Section 1 of the CDLAC Allocation Resolution states that the “Allocation may be used only by the Applicant.”

The District intends to structure the QECB financing as a lease financing that will be privately placed with PNC Equipment Finance (PNCEF, LLC). Under this structure, the District will lease property to PNCEF, LLC, and then lease it back, pursuant to a Lease Purchase Agreement (the “Agreement”). The Agreement will be designated as a QECB. Said Agreement shall be a net lease arrangement whereby Lodi is responsible for all costs of operation, maintenance, insurance and taxes. The District, as the obligor under the Lease, would be treated as the issuer of the QECB. The California Education Code does not allow CAEATFA to serve as the Lessee or Lessor in the Agreement, and would thus not be able to serve as the issuer and would become an unnecessary third party.

As the Allocation was granted to CAEATFA, and the CDLAC 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 September 22, 2010.

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Staff Recommendation. Staff recommends approval of the Resolution to consent to a transfer of CDLAC's reallocation of QECB's from CAEATFA to Lodi Unified School District for an amount not to exceed \$16,900,000.

**RESOLUTION CONSENTING TO THE TRANSFER OF ALLOCATION FOR A
QUALIFIED ENERGY CONSERVATION PROJECT TO
THE LODI UNIFIED SCHOOL DISTRICT**

September 22, 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 Projects (as such terms are defined in the Act); and

WHEREAS, Lodi Unified School District (the “District”), requested the Authority to assist in financing facilities for the qualified energy conservation solar project described on the attached Exhibit A (the “Facilities”); 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 \$16,900,000 of the American Recovery and Reinvestment Act of 2009 Qualified Energy Conservation Bonds (the “Lodi QECB Allocation”) to the Facilities; and

WHEREAS, on May 26, 2010, CDLAC established a mechanism to provide – subject to certain CDLAC procedures – up to the full amount of the Lodi QECB Allocation to the District in the event new QECB allocation became available, occurring on or before August 14, 2010, (the “Waiting List Mechanism”); and

WHEREAS, CDLAC notified the District on August 19, 2010, that subject to said Waiting List Mechanism, the District will receive the full Lodi QECB Allocation; and

WHEREAS, CDLAC adopted Resolution No. ARRA-21, reallocating a portion of the QECB Allocation to the Authority for the Facilities in the amount of \$16,900,000; and

WHEREAS, the 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 through an issuance of QECBs is through a lease financing entered into by the District, as obligor (a “QECB Lease Financing”) to be privately placed with an affiliated banking institution; and

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

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 approves a QECB Lease Financing to be privately placed with an affiliated banking institution.

Section 3. The Authority hereby transfers the Lodi QECB Allocation to the District.

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