

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

Meeting Date: October 27, 2010

Request for Final Resolution

Prepared by: *Heather Williams*

Applicant: Fallbrook Public Utility District	Amount Requested: \$7,227,000
Project	Application No.: 10-002
Location: San Diego County	Final Resolution No.: 10-001
	Prior Actions: IR Approved 04/06/10

Summary. Fallbrook Public Utility District (“FPUD” or the “District”) requests approval of a final resolution for an amount not to exceed \$7,227,000 to finance the purchase and installation of a photovoltaic (PV) solar electric system with Qualified Energy Conservation Bonds (QECBs). FPUD anticipates a reduction in operating costs after the system is installed.

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 electricity from solar energy each year, enough to provide for 341 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 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 November 9, 2010.

The project scope includes all site assessment, design and engineering, site preparation, all permits, equipment, construction and system commissioning (as part of installation).

The project will create 38 temporary jobs.

The anticipated project and issuance costs are listed below:

Engineering & Design	\$ 126,470
Permitting	72,270
Photovoltaic Equipment	3,938,720
Construction & Installation	1,788,680
Interconnection - Electric	686,570
Sales Tax	343,280
Metering Costs	126,470
Cost of Issuance	<u>144,540</u>
Total:	<u>\$7,227,000</u>

Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for QECCB financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. QECCB financing may be only one source out of multiple sources of financing for a given project.

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

Permits. Detailed construction permits and environmental approval will be handled in the actual installation project. FPUD is self-permitting. California Environmental Quality Act (“CEQA”) compliance will be handled by FPUD. CAEATFA has received a copy of the Notice of Determination for CEQA.

Volume Cap Allocation. CAEATFA applied to the California Debt Limit Allocation Committee (CDLAC) on May 26, 2010, on behalf of FPUD for QECCB reallocation. CDLAC awarded the project with the full allocation of \$7,227,000 on August 12, 2010.

Financing Details. FPUD plans to issue the QECCBs through a private placement with Banc of America Leasing & Capital, LLC. The private placement will meet CDLAC and CAEATFA guidelines.

Financing Team.

Bond Counsel: Jones Hall
Solar Project Consultant: MuniBond Solar

Issuer’s Counsel: Office of Attorney General
Purchaser: Banc of America

Staff Recommendation. Staff recommends approval of Final Resolution No. 10-001 for Fallbrook Public Utility District for an amount not to exceed \$7,227,000.

**FINAL RESOLUTION OF THE
CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION
FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE OF
ALTERNATIVE SOURCE ENERGY FACILITIES
FOR FALLBROOK PUBLIC UTILITY DISTRICT**

October 27, 2010

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has heretofore received the application of the Fallbrook Public Utility District, a public utility district organized under Section 15501 et seq. of the Public Utility Code of the State of California (the “District”), for financial assistance to finance the acquisition and installation of photovoltaic solar energy systems and related appurtenances thereto, as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, the “Project”); and

WHEREAS, the District has requested the Authority to issue its revenue bonds in an amount not to exceed \$7,227,000 to assist in the financing of the Project; and

WHEREAS, the Authority will make the proceeds of the Bonds (as defined herein) available to finance (i) the Project, and (ii) costs of issuance of the Bonds;

WHEREAS, the District will enter into an installment sale agreement (the “Installment Sale Agreement”), between the Authority and the District, under which the District will, among other things, purchase the Project from the Authority and make installment payments to the Authority, including amounts for the full payment of the principal or redemption price of, and interest on the Bonds;

WHEREAS, the Bonds issued under the Indenture (herein defined) will be secured by a pledge and assignment of the Authority’s right to receive Installment Payments payable by the District under the Installment Sale Agreement, as well as a security interest in the Project;

WHEREAS, final approval of the terms of such Bonds and certain documents relating to such Bonds is now sought; and

WHEREAS, the Bonds will be sold in a private placement with Banc of America Leasing & Capital, LLC as sole initial purchaser of the Bonds (the “Purchaser”);

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

Section 1. The Project constitutes a “project” and the District is a “participating party” within the meaning of the California Alternative Energy and Advanced Transportation Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Alternative Energy and Advanced Transportation Financing Authority Qualified Energy Conservation Revenue Bonds (Fallbrook Public Utility District Solar Project), Series 2010” (the “Bonds”) in an aggregate principal amount not to exceed \$7,227,000, are hereby authorized to be issued. The Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, and may be issued as federally taxable, qualified energy conservation bonds, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Bonds shall be used to finance the Project and to pay costs of issuance of the Bonds.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds, at one time or from time to time before December 31, 2010, by negotiated sale, at such price, at such interest rate or rates, with such maturity dates and amounts, such determination to be as set forth in the hereinafter referred to Bond Purchase Agreement.

Section 4. The following documents:

(a) the Installment Sale Agreement relating to the Bonds (the “Installment Sale Agreement”), between the Authority and the District,

(b) Indenture relating to the Bonds (the “Indenture”), between the Authority and Deutsche Bank National Trust Company (the “Trustee

(c) the Bond Purchase Agreement relating to the Bonds (the “Bond Purchase Agreement”) among the Purchaser, the Treasurer, the Authority and the District

(d) the Calculation Agency Agreement, among the District, the Trustee and the Authority.

are hereby approved in substantially the forms on file with the Authority prior to this meeting with such insertions, deletions or changes therein as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 5. The dated date, maturity dates, interest rate(s), interest payment dates, principal payment dates, denominations, forms, registration privileges, manner of execution, places of payment and other terms of the Bonds shall be as provided in the Indenture as finally executed.

Section 6. The Bonds, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon.

The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to the Purchaser or its nominee, in accordance with written instructions executed on behalf of the Authority. Such instructions shall provide for the delivery of the Bonds to the Purchaser or its nominee, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 7. Each officer of the Authority is hereby authorized and directed to do any and all ministerial acts he or she may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, and otherwise to effectuate the purpose of this Resolution. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications; and (b) any tax certificate and/or tax agreement. The Treasurer is hereby requested and authorized to take any and all acts within his or her authority as agent for sale that he or she may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, and otherwise effectuate the purposes of this Resolution.

Section 8. The provisions of the Authority’s resolution entitled “RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO BOND FINANCINGS” adopted on April 28, 2010 apply to the documents and actions approved in this Resolution.

Section 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 10. This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this final Resolution for the District shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

TERM SHEET

Name of Issue:	California Alternative Energy and Advanced Transportation Financing Authority Qualified Energy Conservation Bonds (Fallbrook PUD Solar Projects), Series 2010 (the “Bonds”)
Maximum Amount of Issue:	\$7,227,000
Issuer:	California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), Sacramento, CA
Applicant:	Fallbrook Public Utility District
Trustee:	Deutsche Bank National Trust Company
Bond Counsel:	Jones Hall, A Professional Law Corporation, San Francisco, CA
Project:	Acquisition and installation of photovoltaic solar energy systems and related appurtenance thereto, to be located in Fallbrook, California
Maximum Bond Term:	Not to exceed 20 years
Type of Sale:	Private placement; restriction on transfer to Qualified Institutional Buyers
Financing Structure:	Qualified Energy Conservation Bonds privately placed with Banc of America Leasing & Capital, LLC
Interest Rate:	Fixed rates not to exceed 12 % -to be determined prior to sale and delivery
Anticipated Bond Rating:	Not rated
Type of Financing:	Alternative Source/ Photovoltaic Electricity Generation Qualified Energy Conservation Bonds
Prepared by:	Bill Madison (415-391-5780)