

STAFF REPORT
Lancaster Financing Authority

FA 1
11/09/10
MVB

Date: November 9, 2010

To: Chairman Parris and Authority Members

From: Jason Caudle, Deputy Executive Director

Subject: **Resolution Regarding the Issuance of the Lancaster Financing Authority's Lease Revenue Bonds (Lancaster Solar Projects), Issue of 2010**

Recommendation:

Adopt **Resolution No. FA 10-01**, approving the Lancaster Financing Authority's Lease Revenue Bonds (Lancaster Solar Projects), Issue of 2010 and approving certain actions in connection therewith.

Fiscal Impact:

The financing will provide revenues sufficient for the City to complete construction of solar facilities for Lancaster School District and Eastside School District. It is anticipated that the City, over the life of the project will generate approximately \$12 million in revenues and the School Districts could save an estimated \$43 million.

Background:

On June 8, 2010, the City Council approved the establishment of the Lancaster Municipal Utility for the purposes of owning and operating alternative energy generating facilities in order to decrease the community's reliance on non-renewable energy sources.

The City, through the Lancaster Municipal Utility (LMU) has initiated a number of different projects and programs throughout the city to facilitate the construction and operation of solar energy. The City has entered into Power Purchase Agreements (PPA) with SolarCity to produce clean green energy; implemented a retrofit process for city facilities to become more energy efficient; partnered in a program to assist residents, and businesses to 'Go Solar'; and, has worked closely with private developers (Morgan Solar and eSolar), to build commercial scale energy generation facilities throughout the AV. The LMU continues to expand as we look for additional ways to sustain the solar program and provide assistance to other users in an effort to 'Go Solar'.

On Oct 26th the City Council authorized the City Manager to negotiate and approve the LMU's institutional Lease/PPA program with the Lancaster School District, and the Eastside School District (the partners). In approving these PPA's the City Council committed to build, maintain, and finance \$33 million (approx.) in solar facilities on the respective partner's property. After operation the City's revenue will exceed the costs of construction, and the partner's energy costs will be substantially reduced. Over the term of the Project (25 years) the City will conservatively generate an estimated \$12 million in revenue in excess of the cost to operate and maintain the system as well as upgrade and expand the City's solar program. It has been estimated that the partners could collectively save \$43.7 million in lower electricity costs over

the life of the contract. These savings are based on a 5% Edison escalator, which is based on the historical increases over a 20 year period, compared to a 3.5% escalator that is included in the City's PPA. In addition to the estimated savings the partners will benefit by having predictable electricity cost over a 25 year period, and the shade structures will assist in the operation of the schools. The PPA also allows for the Partners to purchase the system, at any time after 10 years of operation further increasing their potential savings.

This is one of a long list of potential LMU projects which will continue to strengthen our "Alternative Energy Capitol of the World" brand, and serve as a catalyst to a very successful Municipal Utility.

The proposed issuance of the Authority's Lease Revenue Bonds (Lancaster Solar Projects), Issue of 2010 will accomplish this purpose and will insure that the City and Authority can move forward with the solar projects.

The forms of the Trust Agreement, Lease Agreement, Property Preliminary Official Statement, Bond Purchase Contract, and Continuing Disclosure Agreement are on file with the City Clerk.

Attachment:

Resolution No. FA 10-01