

Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector



To: The Board of the Placer County Public Financing Authority
From: Jenine Windeshausen, Treasurer-Tax Collector
Date: June 2, 2015
Subject: Refinancing and Sale of Bonds Issued to Finance mPOWER Assessments

Action Requested:

Adopt a resolution regarding the refinancing and sale of bonds related to financing mPOWER assessments to:

- a) Approve the issuance of the following Placer County Public Financing Authority Refunding Revenue Bonds:
 - a. Series 2015R-A in the maximum principal amount of \$10,000,000,
 - b. Subordinate Series 2015R-B in the maximum principal amount of \$750,000,
 - c. Series 2015R-C in the maximum principal amount of \$19,000,000,
 - d. Series 2015NR-A in the maximum principal amount of \$3,250,000
- b) Approve, in substantially the form on file with the Secretary, the Refunding Loan Agreements for each Loan and the Indenture of Trusts for each bond,
- c) Authorize the Treasurer-Tax Collector to act as trustee or to hire a trustee with respect to the Bonds,
- d) Approve the sale of the Bonds to one or more accredited investors to be documented by Purchase Agreements,
- e) Authorize the Treasurer-Tax Collector to hire a broker-dealer to act as placement agent,
- f) Authorize the Treasurer-Tax Collector to purchase one or more series of the Bonds on behalf of the Placer County Treasurer's Investment Portfolio,
- g) Authorize certain officers of the Authority to execute and deliver the Refunding Loan Agreement and the Indenture of Trusts and related documents, and to take other actions as necessary for the execution and delivery of the Bonds.

Background:

In 2010, the Placer County Board of Supervisors and the Board of the Placer County Public Financing Authority (the Authority) authorized the issuance of Bonds and an associated Loan Agreement in an amount not to exceed \$33 million. The above actions are related to the refunding of the 2010 Bonds and Loan Agreement. Since July of 2013, the mPOWER program has provided financing for 984 renewable generation, energy efficiency and water conservation projects totaling over \$27.6 million. The financing is secured by assessment liens placed on the participating properties.

A mechanism has been devised under California law to provide for the financing offered through the mPOWER program. A loan from the Authority to the County provides the funding for the mPOWER assessments. The assessments from financed projects provide the security for the loan.

The Authority has issued a Bond to obtain the funds for the loan to the County. The Bond has been purchased by the Treasurer and is held in the Treasurer's Investment Portfolio and is secured by a pledge of the Loan's repayment stream. The outstanding balance of the Bond and the outstanding balance of the Loan are adjusted twice a month to reflect increased assessments made to secure funding provided to property owners for improvements. The outstanding Bond and Loan balances are decreased as assessment payments are received and applied to the debt service on the Bond and Loan.

Recently, mPOWER staff has initiated discussions with various investors to sell the existing Bonds with the goal of reinvesting the proceeds of the Bonds back into the mPOWER program to provide funding for more assessments. The attached resolution provides the approvals and authorizations from the Authority necessary to refinance the Existing Loan with the proceeds of three new loans (the Refunding Loans) and to cause redemption of the Existing Bonds enabling the Authority to issue the new Bonds to fund the Refunding Loans.

The proposed Refunding Bond and Refinanced Loan Agreement structure calls for:

- Series 2015R-A/R-B Loan Agreement which backs the
 - Series 2015R-A Bond (residential assessments) in an amount not to exceed \$10 million to be purchased by an outside accredited investor, and
 - Subordinate Series 2015R-B Bond (residential assessments) in an amount not to exceed \$750,000 to be purchased for and held in Treasurer's Investment Portfolio, and
- Series 2015R-C Loan Agreement which backs the
 - Series 2015R-C (residential assessments) in an amount not to exceed \$19 million to be purchased for and held in Treasurer's Investment Portfolio, and which is subject to future sale, and
- Series 2015NR-A Loan Agreement which backs the
 - Series 2015NR-A (non-residential assessments) in an amount not to exceed \$3.25 million to be purchased for and held in Treasurer's Investment Portfolio, and which is subject to future sale.

The Subordinate Series 2015R-B structure is issued as a credit enhancement to the Series 2015R-A Bonds whereby any assessment delinquencies will first accrue to the Subordinate Series 2015R-B Bonds. Only in the event that delinquencies resulting from assessments underlying the amount of the Subordinate Series 2015R-B Bonds are exceeded will the Series 2015R-A Bonds be impacted by delinquent assessments. The FY 2014-15 property tax roll includes \$1,018,482.48 levied for 342 mPOWER assessments. After the April second installment only 3 assessments (0.87%) totaling \$5,326.23 (0.52%) are delinquent. This low level of delinquencies is consistent with historic property tax delinquency rates in Placer County. Further, defaulted assessments are subject to accelerated judicial foreclosure if necessary.

The Series 2015R-C and 2015NR-A will continue to be held in the Treasurer's Investment Pool and will be increased based on the financing of new assessments up to the not-too-exceed amount. The Bonds are subject to future purchase by one or more accredited investors.

Your Board is asked to adopt a resolution approving the issuance of the Bonds by the Authority, the form of the Refunding Loan Agreements and to approve the related actions outlined above.

Fiscal Impact:

The mPOWER program is an enterprise fund program, therefore there are no net revenues or expenses to the General Fund related to this transaction. The Series 2015R-A Bonds will be sold at a premium resulting in revenue to the mPOWER program that will be used to offset program costs.

Attachments: Resolution

On File with the Secretary:

Refunding Limited Obligation Loan Agreement (in substantial form)
Indenture (in substantial form)

**BEFORE THE BOARD OF PLACER COUNTY
PUBLIC FINANCING AUTHORITY,
STATE OF CALIFORNIA**

In the matter of:

Resolution No. _____

**A RESOLUTION OF THE GOVERNING BOARD OF THE PLACER COUNTY
PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF
REFUNDING REVENUE BONDS, APPROVING AN INDENTURE OF TRUST
AND A LOAN AGREEMENT FOR EACH SERIES OF SUCH BONDS,
AUTHORIZING THE SALE OF SUCH BONDS, AND PROVIDING OTHER
MATTERS PROPERLY RELATING THERETO**

The following Resolution was duly passed by the Board of the Placer County Public Financing Authority at a regular meeting held on June 2, 2015.

by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair of the Board
Placer County Public Financing Authority

Attest:
Secretary of the Board

THE GOVERNING BOARD (the "Board") OF THE PLACER COUNTY PUBLIC FINANCING AUTHORITY (the "Authority"), STATE OF CALIFORNIA, DOES HEREBY RESOLVE THAT:

WHEREAS, the Authority is a joint powers authority duly organized and existing under that certain Joint Exercise of Powers Agreement, dated May 9, 2006, by and between the County of Placer (the "County") and the Placer County Redevelopment Agency, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

WHEREAS, the County is authorized to borrow money under Sections 5898.22 and 5898.28 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the

"Chapter 29") to finance the installation of distributed generation renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to real property (the "Authorized Improvements"), and the Authorized Improvements constitute "public capital improvements" as defined in the Act; and

WHEREAS, on December 8, 2009, the Board of Supervisors of the County (the "Board of Supervisors") adopted Resolution No. 2009-343, entitled "Declaring the County of Placer's Intention to Finance Distributed Generation Renewable Energy Sources, and Energy Efficiency Improvements and Water Efficiency Improvements Through the Use of Contractual Assessments Pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code and Setting a Public Hearing Thereon" (the "Resolution of Intention"), to initiate proceedings under Chapter 29 to establish the "Placer money for Property Owner Water & Energy Efficiency Retrofitting Program" (the "Program"), pursuant to which the County will enter into contractual assessments to finance the installation of Authorized Improvements as described in the Resolution of Intention; and

WHEREAS, on January 26, 2010, after holding a duly noticed public hearing at which interested persons were allowed to object to or inquire about the proposed Program or any of its particulars, the Board of Supervisors adopted Resolution No. 2010-22, entitled "Resolution Confirming Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources, Energy Efficiency and Water Efficiency Improvements and Approving and Ordering Other Related Matters," (the "Resolution Confirming Program Report"), pursuant to which the Board of Supervisors, among other things, (i) confirmed and approved a report (as amended, the "Program Report") addressing all of the matters set forth in Section 5898.22 of Chapter 29, (ii) established the Program, and (iii) authorized execution of agreements ("Assessment Contracts") with the owners of property in the County (the "Program Area") to provide for the levy of contractual assessments to finance installation of Authorized Improvements; and

WHEREAS, for the purpose of providing moneys to fund a loan to the County (the "Existing Loan"), the proceeds of which Existing Loan the County used to finance the installation of Authorized Improvements on certain property in the County (the "Participating Parcels"), the Authority issued a series of revenue bonds (the "Existing Bonds") pursuant to Article 4 of the Act and an Indenture of Trust, dated as of June 1, 2010, by and between the Authority and the Placer County Treasurer-Tax Collector, as trustee (the "Existing Indenture"); and

WHEREAS, the Authority made the Existing Loan to the County pursuant to a Limited Obligation Loan Agreement, dated as of June 1, 2010, as amended by an Amendment No. 1 to Limited Obligation Loan Agreement, dated as of July 9, 2013 (as amended, the "Existing Loan Agreement"), by and among the County, the Authority and the Placer County Treasurer-Tax Collector, as trustee for the Existing Bonds; and

WHEREAS, the County had the authority to incur the loan under Chapter 29 and the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (the "1915 Act"); and

WHEREAS, a default judgment was entered on November 19, 2010, by the Superior Court of the County of Placer in the validation action entitled "ALL PERSONS INTERESTED IN THE MATTER of the mPOWER Placer Program, All Proceedings Relating Thereto and All Bonds, Contracts, Obligations or Evidences of Indebtedness Relating Thereto," Case No. SCV-26931; and

WHEREAS, the Existing Loan is secured by and payable from contractual assessments levied in the Program Area; and

WHEREAS, the County wishes to refinance the Existing Loan and to cause a redemption of the Existing Bonds and, to the maximum extent possible, to identify third-party investors who will provide financing for these purposes; and

WHEREAS, the County has determined that there will be more third-party investors interested in providing financing for the Program if the County creates two or more separate pools of Participating Parcels, for example, one comprised of residential parcels with fewer than four units and the other comprised of non-residential parcels and residential parcels with four or more units; and

WHEREAS, in order to refinance the Existing Loan and cause a redemption of the Existing Bonds, and in order to establish two or more pools of Participating Parcels, the County has determined that it must do the following:

(a) enter into a loan agreement with the Authority (the "Series 2015R-A/R-B Loan Agreement"), with the loan (the "Series 2015R-A/R-B Loan") expected to be payable from contractual assessments levied in the Program Area on residential parcels and to be funded with the proceeds of two series of bonds to be issued by the Authority: (i) Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015R-A (mPOWER Placer Program) and (ii) Placer County Public Financing Authority Refunding Revenue Bonds, Subordinate Series 2015R-B (mPOWER Placer Program);

(b) enter into a loan agreement with the Authority (the "Series 2015R-C Loan Agreement"), with the loan (the "Series 2015R-C Loan") expected to be payable from contractual assessments levied in the Program Area on residential parcels and to be funded by the Authority from the proceeds of a third series of bonds to be issued by the Authority, the Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015R-C (mPOWER Placer Program); and

(c) enter into a loan agreement with the Authority (the "Series 2015NR-A Loan Agreement"; together with the Series 2015R-A/R-B Loan Agreement and the 2015R-C Loan Agreement, the "Refunding Loan Agreements"), with the loan (the "Series 2015NR-A Loan"; together with the Series 2015R-A/R-B Loan and the Series 2015R-C Loan, the "Refunding Loans") expected to be payable from contractual assessments levied in the Program Area on non-residential parcels and residential parcels with four or more units and to be funded by the Authority from the proceeds of a fourth series of bonds to be issued by the Authority, the Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015NR-A (mPOWER Placer Program); and

WHEREAS, the County is authorized to incur the Refunding Loans pursuant to Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code; and

WHEREAS, the Authority is authorized pursuant to Article 4 of the Act to issue bonds for the purpose of making loans to local agencies, to the extent those local agencies are authorized by law to borrow moneys, when the loan proceeds will be used by the local agencies to pay for public capital improvements;

WHEREAS, the Board has duly considered the transactions described above and wishes at this time to approve such transactions as being in the public interest;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Placer County Public Financing Authority as follows:

Section 1. The Authority hereby finds and declares that the above recitals are true and correct.

Section 2. The Board hereby approves the issuance by the Authority of the bonds described below (collectively, the "Bonds"):

(a) "Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015R-A (mPOWER Placer Program)," in a maximum principal amount of \$10,000,000.

(b) "Placer County Public Financing Authority Refunding Revenue Bonds, Subordinate Series 2015R-B (mPOWER Placer Program)," in a maximum principal amount of \$750,000.

(c) "Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015R-C (mPOWER Placer Program), Series 2015B," in a maximum principal amount of \$19,000,000.

(d) "Placer County Public Financing Authority Refunding Revenue Bonds, Series 2015NR-A (mPOWER Placer Program)," in a maximum principal amount of \$3,250,000.

The Bonds will be payable only from loan payments made by the County under the Refunding Loan Agreements described above.

For each series of Bonds, the Board hereby approves an Indenture of Trust (each, an "Indenture") in substantially the form on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Executive Director and the Treasurer of the Authority, whose execution thereof shall be conclusive evidence of approval of any such additions and changes. The Executive Director and the Treasurer, each acting alone (the "Designated Officers"), are hereby authorized and directed to execute the final form of each Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of each Indenture and the execution and delivery of the Bonds, as provided in each Indenture.

The Authority hereby authorizes the Treasurer-Tax Collector to act as trustee with respect to the Bonds or to retain a national banking association with a corporate trust department to act as trustee, as the Treasurer-Tax Collector determines is most appropriate from time to time.

Section 3. The Board hereby authorizes and approves the Refunding Loans to be made to the Agency by the Authority, and the execution of the Refunding Loan Agreements relating thereto. The Board hereby approves the Refunding Loan Agreements in substantially the form on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Designated Officers, whose execution thereof shall be conclusive evidence of approval of any such additions and changes. The Designated Officers, each acting alone, are

hereby authorized and directed to execute the final form of the Refunding Loan Agreements for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Refunding Loan Agreements. The Authorized Improvements that were financed with the proceeds of the Existing Loan Agreement are located within the geographical boundaries of the County.

The Refunding Loans shall be payable from contractual assessments levied in the Program Area as described above.

The Participating Parcels may be divided into two or more pools, as described in the recitals of this Resolution or as otherwise determined by the Treasurer-Tax Collector.

Section 4. The Authority hereby approves the sale of one or more series of Bonds to one or more accredited investors (as that term is defined in Rule 501 of Regulation D promulgated under the United States Securities Act of 1933, as amended) to be identified by the Treasurer-Tax Collector, after consultation with County Counsel, the County's municipal advisor and bond counsel, with each sale to be documented pursuant to a Purchase Agreement (each, a "Purchase Agreement") among the Authority, the County and the purchaser, in substantially the form on file with the Clerk, together with any changes therein or additions thereto approved by a Designated Officer, whose execution thereof shall be conclusive evidence of approval of any such additions and changes. The Purchase Agreement shall be executed in the name and on behalf of the Authority by a Designated Officer, each of whom is hereby authorized and directed to execute and deliver the Purchase Agreement on behalf of the Authority.

The Authority hereby authorizes the Treasurer-Tax Collector, on behalf of the Authority, to hire a registered broker-dealer to act as placement agent for the Bonds and hereby authorizes a Designated Officer to execute an agreement with such registered broker-dealer on behalf of the Authority, and execution by a Designated Officer of an agreement with the registered broker-dealer shall be conclusive evidence of the approval of such agreement.

The Authority also hereby approves the sale of one or more series of Bonds to the Treasurer-Tax Collector on behalf of the Placer County Treasurer's Investment Portfolio. The sale shall be accomplished by execution of a Purchase Agreement among the County, the Authority and the Placer County Treasurer-Tax Collector, in substantially the form on file with the Clerk, together with any changes therein or additions thereto approved by a Designated Officer, whose execution thereof shall be conclusive evidence of approval of any such additions and changes.

Section 5. All actions heretofore taken by the officers and agents of the Authority with respect to the preparation of the Indentures and the Refunding Loan Agreements, the sale and issuance of the Bonds and the execution and delivery of the Refunding Loan Agreements are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Designated Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and the execution and delivery of the Refunding Loan Agreements in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Refunding Loan Agreements and the other documents herein approved, and any certificates, agreements or documents as may be necessary to further the purpose hereof or provide additional security for the Bonds and the Refunding Loan Agreements, including but not limited to amendments to the Existing Indenture, the Existing Loan Agreement and the

Existing Bonds, but which shall not create any obligation or liability of the Authority other than with respect to the loan repayments under the Refunding Loan Agreements pledged as security for the Bonds and assets derived from the proceeds of the Bonds.

Section 6. This Resolution shall take effect from and after the date of approval and adoption thereof.