### Fallbrook Union High School District

Consideration of Financing a Solar Energy Project at Fallbrook High School







Presented by Keith Weaver August 17, 2020

Presentation materials provided for distribution at the meeting. Please see meeting record for verbal commentary and discussion.

## Today's Agenda

### Introductions

Financing Considerations

Financing Process Overview



Next Steps

## Introductions

- Keith Weaver, Client Services Director
  - Registered Municipal Advisor
  - Certified Independent Professional Municipal Advisor
  - Certified Fraud Examiner
- Government Financial Strategies
  - Public finance consulting firm dedicated to helping public agencies meet their capital needs
  - Established in 1988
  - Relevant experience:
    - More than two dozen solar energy projects
    - Nearly 1,000 financings totaling \$15+ billion







## **Role of Financial Advisor**

Fiduciary duty to the District

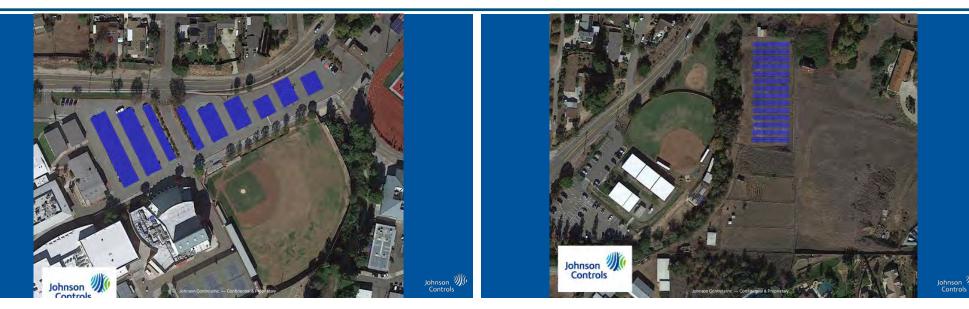


Provide <u>independent</u> financial analysis and advice

 Activities <u>regulated</u> by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a result of the Dodd-Frank Act of 2010

Our role specifically <u>limited</u> to solar energy project financing

### **Project Review**



- Shade structures at North Main Parking Lot
- Ground-mount fixed tilt near Ag. Department
- Just under 1 MW total solar system size
- Net metering to offset electricity use on site
- Battery storage to offset peak demand load
- ~\$6.3 million total project cost

Project presentation per Johnson Controls dated 8/10/20.

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# **Financing Options Analyzed**

Equipment Lease-Purchase Financing

Financed by District tax-exempt

- "Lease to own" type of agreement
- District pays for O&M
- Both 15-year and 20-year terms reviewed

Power Purchase Agreement
Financed by private investors
District leases equipment
District pays for power produced



### **Financing Metrics for Comparison**

 Total Savings
Project savings over 30-year project term

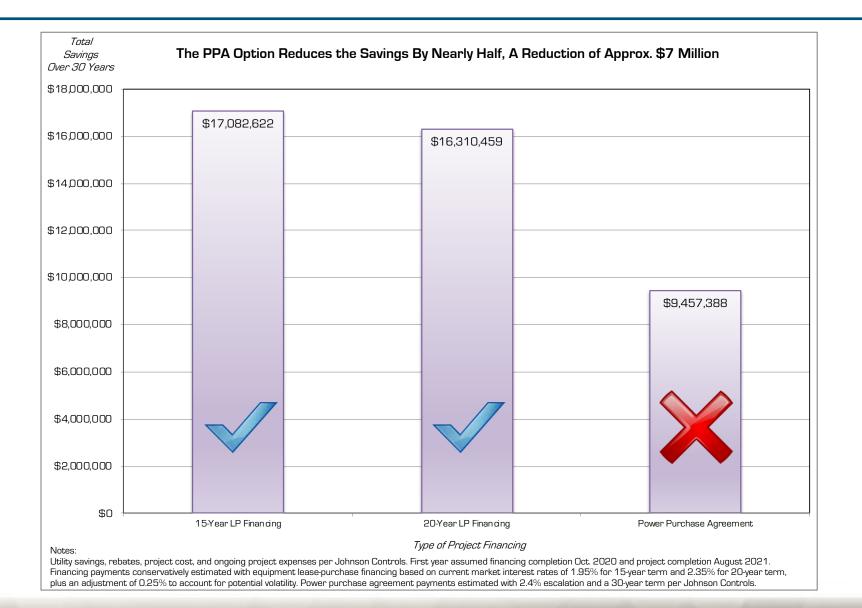




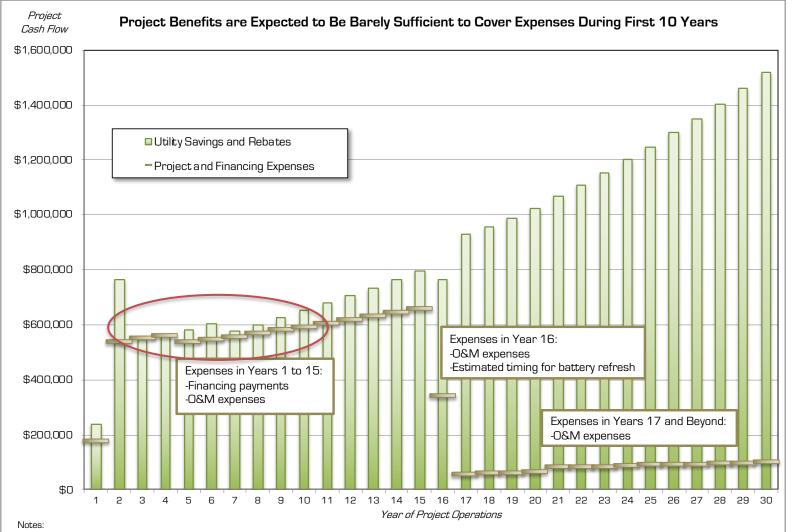
Project savings on a year-to-year-basis



### **Total Savings Comparison**



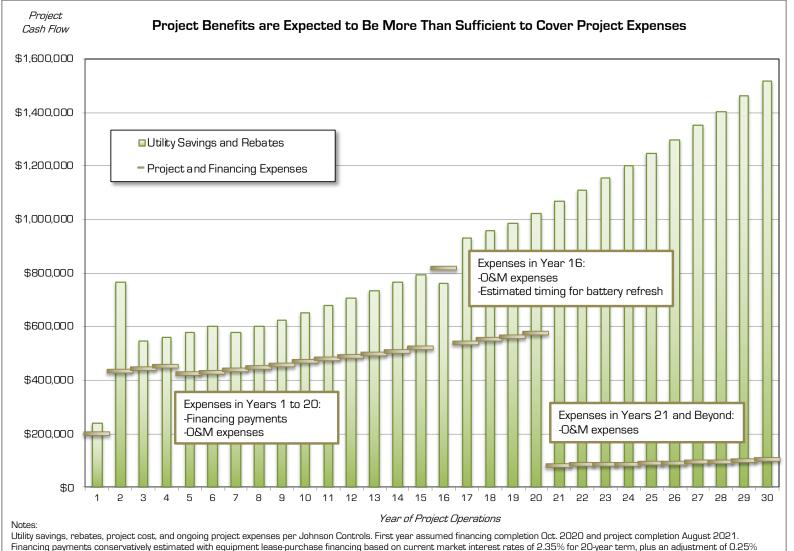
### **Cash Flow For 15-Year Financing**



Utility savings, rebates, project cost, and ongoing project expenses per Johnson Controls. First year assumed financing completion Oct. 2020 and project completion August 2021. Financing payments conservatively estimated with equipment lease-purchase financing based on current market interest rates of 1.95% for 15-year term, plus an adjustment of 0.25% to account for potential volatility. Year 2 includes sizable rebate of approx. \$280,000. Year 16 includes conservatively estimated timing of battery refresh of approx. \$290,000.

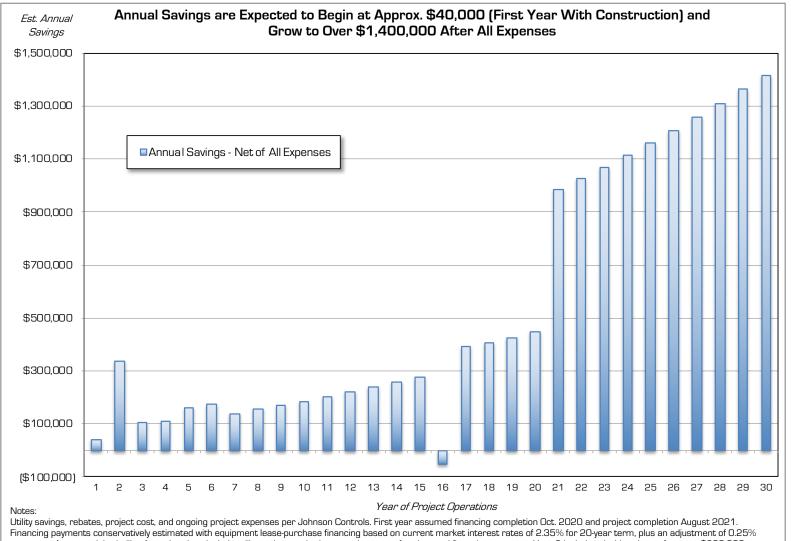
#### © Government Financial Strategies

### **Cash Flow For 20-Year Financing**



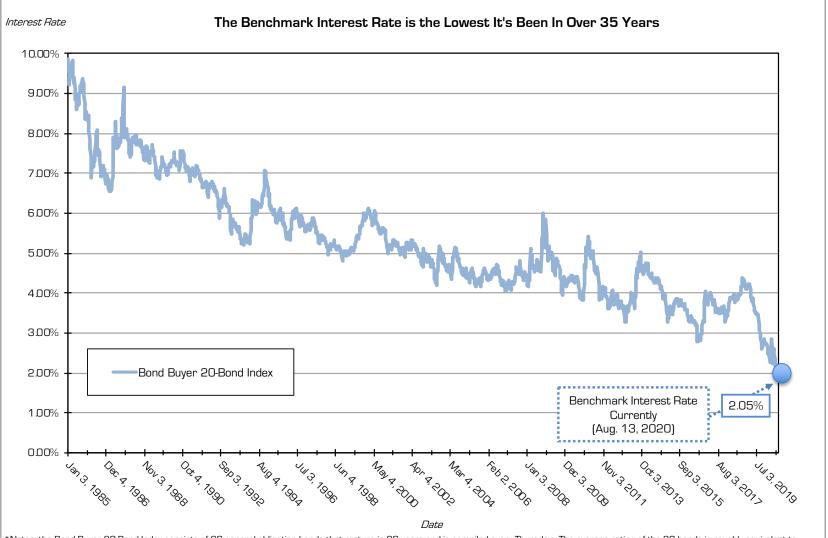
to account for potential volatility. Year 2 includes sizable rebate of approx. \$280,000. Year 16 includes conservatively estimated timing of battery refresh of approx. \$290,000.

## **Annual Savings For 20-Year Financing**



to account for potential volatility. Annual savings include utility savings and rebates and are net of project and financing expenses. Year 2 includes sizable rebate of approx. \$280,000. Year 16 includes conservatively estimated timing of battery refresh of approx. \$290,000 though precise timing of year that expense occurs is variable.

### **Historical Benchmark Interest Rate**



\*Notes: the Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years and is compiled every Thursday. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Rating Service AA.

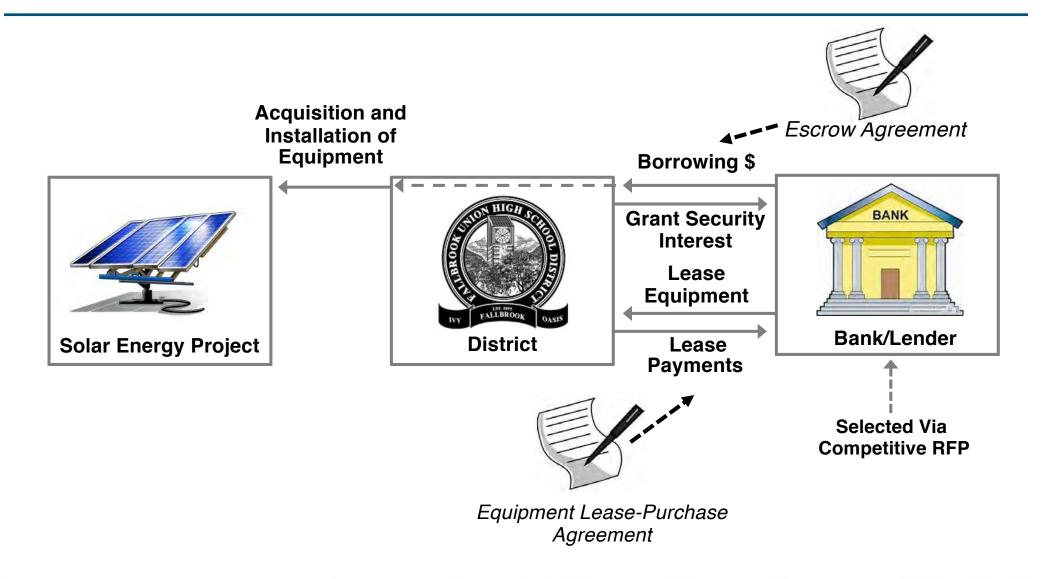
### **Determining Financing Terms and Pricing**

RFP to be distributed to banks/lenders.

- Seek an <u>equipment</u> lease-purchase financing.
- Allow bidding within flexible parameters.
- Financing amount subject to project cost.
- Relevant recent experience:
  - 6 lease-purchase financing RFPs since 2019
  - Bidders ranged from 3 to 12
  - Interest rates ranged from 2.4% 3.5%

More competition *→* better results for the District

### Equip. Lease-Purchase Legal Structure



# **Equipment Lease-Purchase Financing**

The energy equipment is subject to the lease agreement.

In the event the District defaults on the loan, the bank has the option to take possession of the equipment and sell or lease it to another party.





# **Summary of Key Steps**

### RFP for bank/lender

Prepare financing legal documents

Sept. 28<sup>th</sup> Board of Trustees meeting:

Information

Resolution

Finalize financing legal documents

 October: funds available for the acquisition and installation of the solar energy equipment

