COUNTY DEPARTMENT AGENDA REQUEST

Department:	Finance	Presenter(s):	Mary S. Holland / Ted Burgess
Meeting Date:	Thursday, October 22, 2009	Type of Request:	New Business

Wording for the Agenda:

Consideration of a request for the Chairman to execute a "Qualified Energy Conservation Bond Notice of Intent to Issue."

Background/History/Details:

Qualified Energy Conservation Bonds (QECB's) are a category of bonds that were created by federal legislation. They are intended to provide low-costs loans to state and local governments for qualified energy-conservation projects. These include:

- Reducing energy consumption in publicly-owned buildings by at least 20%
- Implementing "green community programs"
- Rural facilities to generate electricity from certain renewable sources
- Research facilities or research grants
- Mass commuting facilities that reduce the consumption of energy
- Demonstration projects to promote commercialization of qualified (green) technologies
- Public education campaigns to promote energy efficiency

The Georgia Environmental Facilities Authority (GEFA) has set aside an allocation of $1,117,449 for Fayette County. The county will have an opportunity to issue bonds up to this amount, or share the allocation with municipalities within the county. GEFA has asked that counties return a signed "Notice of Intent to Issue" by November 2, 2009 if they want GEFA to reserve their allocations in the event the County or a municipality has a program eligible and suitable for this type of funding instrument. Allocations not used will be returned to the state for re-allocation to other local governments.

What action are you seeking from the Board of Commissioners?

Authorization for the Chairman to sign a "Qualified Energy Conservation Bond Notice of Intent to Issue" in order to reserve the county's allocation authority for issuing tax-credit bonds. This action would protect the County's allocation and is not intended to imply an issuance of bonds at this time.

If this item requires funding, please describe:

There could potentially be debt-service costs (estimated interest payments of 1% - 3% of the bond amounts) to be paid over the life of the bonds, depending on the final terms of the sale.

Has this issue come before the Commissioners in the past?	No	If so, when?	
Do you need audio-visual for the presentation?	No	Back-up Material Submitted?	Yes

STAFF USE ONLY

Approved by Finance	Yes	Reviewed by Legal	Yes
Approved by Purchasing	Not Applicable	Approved by County Clerk	Yes
Administrator's Approval	Yes		

Staff Notes:

Fayette County GEORGIA

Where Quality Is A Lifestyle

To: Mary S. Holland

From: Ted L. Burgess

Date: October 14, 2009

Subject: Qualified Energy Conservation Bonds

Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA) in response to the current economic crisis. The President signed it on February 17, 2009. The ARRA created several types of bonds, and expanded the scope of others, to assist local government financing. This was seen as important because the recession made it difficult for local governments to find buyers for traditional tax-exempt bonds.

Qualified Energy Conservation Bonds (QECB's**)** were not created, but were expanded, by the ARRA. They were designed to provide the investor a tax credit from the IRS instead of interest from the bond issuer.

Authorization to issue this type of bond has no expiration date at present, but the federal law sets a maximum national "bond volume cap" for issuance of this type of bond. At this point, the national QECB cap is $3,200,000,000. The federal government has allocated a cap of $100,484,000 to Georgia. The state has allocated $1,117,449 of this cap for Fayette County.

The county can issue QECB's for financing for "qualified conservation purposes." Qualified purposes include expenditures for:

a) Reducing energy consumption in publicly-owned buildings by at least 20%
b) Implementing "green community programs"
c) Rural facilities to generate electricity from certain renewable sources
d) Research facilities or research grants
e) Mass commuting facilities that reduce the consumption of energy
f) Demonstration projects to promote commercialization of qualified (green) technologies
g) Public education campaigns to promote energy efficiency

The county may allocate all or part of its QECB allocation to the cities within the county. Also, the county may authorize an eligible public entity such as the Fayette County Development Authority to issue QECB's from its allocation.

Up to 30% of proceeds from issued QECB's may be used for private activity. If private activity bonds are issued, the proceeds can only be used for capital expenditures, even for purposes such as public education campaigns.

It should be noted that the county must follow federal Davis-Bacon wage and benefit requirements for any projects using QECB funds. Simply stated, the Davis-Bacon Act requires, when applicable, that various classes of workers must be paid wages and fringe benefits that are no less than the locally prevailing wages and fringe benefits paid on projects of a similar character. The Act directs the Secretary of Labor to determine the local prevailing wage and benefit rates that will apply.

Some federal regulations to implement the QECB program have not yet been released (e.g. the definition of "green community programs," and some of the IRS rules regarding bond tax credits). At present, stipulations regarding the tax credits, interest rates and associated components are as follows:

- Each day, the federal government estimates the yields on outstanding bonds with an investment grade rating between A and BBB. This calculation is posted on the TreasuryDirect.gov web site by 10:00 each morning. The IRS will give investors in QECB's a tax credit equal to 70% of this estimated yield.

- Conceptually, the bond issuer (the county) would not have to pay interest on the bonds since the investor gets a tax credit. In reality, however, the state has advised that bond issuers should probably expect to pay 1% - 3% in the form of interest coupons, or discount the selling price by an equivalent amount. Also, any costs of issuance would need to be considered when looking at the costs vs. benefits of these bonds.

- The state advises that QECB's will probably be treated as general obligation bonds. A bond referendum would therefore be needed unless they are sold through a development authority.

If the county intends to use its allocation to issue QECB's – or wishes to retain its option to do so – the Georgia Environmental Facilities Authority has asked for a signed "Qualified Energy Conservation Bond Notice of Intent to Issue" (attached) by November 2, 2009. Submission of the signed document would not commit the county to issuing any of the bonds, it would simply preserve the allocation until decisions are made.

Attachment

State of Georgia
Qualified Energy Conservation Bond Notice of Intent to Issue
DUE NOVEMBER 2, 2009

Date: October 22, 2009 City or County: Fayette County

Telephone:770-305-5393 email of contact person: tburgess@fayettecountyga.gov

Name of Chief Elected Official: Jack R. Smith

Name of Authorized Representative (if applicable):_____

Original Allocation of **Qualified Energy Conservation Bonds** (QECBs): $1,117,449

Amount of QECBs to be Issued by the Allocation Designee: $1,117,449

If QECBs will be issued by another jurisdiction within the jurisdiction of the allocation designee, please identify the issuing entity or entities and amounts to be issued:

_____ $_____
Entity

_____ $_____
Entity

Total Amount of QECBs to be Issued as Private Activity Bonds: $_____

Estimated Date of Bond Closing (s): To be determined

Amount of QECB Allocation Waived (attach waiver resolution): $_____

Remaining Amount of Qualified Energy Conservation Bond Allocation: $-0-

Name of Bond Attorney: To be determined email: _____

Allocation designees are not required to have specific projects or financing by November 2, 2009 in order to retain their allocation but should have plans and capacity to issue QECB debt within 18 months.

I hereby certify that the county of Fayette intends to issue qualified energy conservation bonds , as specified above.

Signature_____ Date _____
Chief Elected Official or Authorized Representative

Submit original form to: Georgia Environmental Facilities Authority
Bond Allocation Manager
233 Peachtree Street NE
Harris Tower, Suite 900
Atlanta, GA 30303