THE BOND BUYER

Bonds fund solar strategy in a California city

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The small Northern California city of Lakeport will use bond financing to fund a series of solar projects to make the city more energy efficient.

The City Council has approved a plan to issue up to $5.25 million in bonds to pay for improvements at city buildings and treatment plants. The city of 5,000 residents is 120 miles north of San Francisco.

The tax-exempt bonds will be sold through negotiation with Hilltop Securities as the underwriter. The Weist Law Firm is bond counsel and NHA Advisors LLC is the municipal advisor.

The bonds are scheduled to be priced July 17 and projected to close on Aug. 2, said Nick Walker, Lakeport finance director.

“The city’s really excited about it,” Walker said. “We feel like it’s a really good deal.”

The series 2018A revenue bonds will mature over 25 years and will be repaid through water and sewer service revenues and lease payments.

The city has hired energy consultant ENGIE Services to oversee to oversee the $4.5 million solar and energy conservation project.

The company will install solar panels at four city buildings including City Hall and retrofit indoor and outdoor lighting at those facilities. The city also plans to replace older street lights at a park and along its Main Street with LED lights.

The changes are expected to reduce the city’s electricity use by 50% and result in $14 million in energy savings over 30 years, according to ENGIE’s report to the council.

Last week, S&P Global Ratings assigned an A-minus rating to the bonds, issued through the Lakeport Municipal Finance District, and assigned a stable outlook based on the performance of the water and wastewater systems.

The city offers affordable rates despite the poverty rate in the area and has low industry risk as the only water and sewer service provider, analysts said.

“The stable outlook reflects our expectation that financial metrics will stay stable during the outlook horizon and that management will complete a water system plan and an updated rate study,” the S&P report stated. “Furthermore, our stable outlook reflects our expectation that management will implement timely rate increases to maintain stable metrics.”