California Infrastructure and Economic Development Bank

ANNUAL ACTIVITY REPORT

FOR

FISCAL YEAR 2003/2004

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

I-BANK
ANNUAL ACTIVITY REPORT
FISCAL YEAR 2003/2004

INTRODUCTION

This report is submitted in accordance with Government Code Section 63035, which requires the California Infrastructure and Economic Development Bank (I-Bank) to submit to the Governor and the Joint Legislative Budget Committee an accounting of its activities for the preceding fiscal year. Specifically, the report includes all of the following:

(a) A listing of applications accepted, including a description of the expected employment impact of each project.
(b) A specification of loans approved and bonds sold, and interest rates thereon.
(c) The amount of other public and private funds leveraged by the assistance provided.
(d) A report of revenues and expenditures for the preceding fiscal year, including all of the I-Bank's costs.
(e) A projection of the I-Bank's needs and requirements for the coming year.
(f) Recommendations for changes in state and federal law necessary to meet the objectives of this division.

SUMMARY

The I-Bank's mission is to finance public infrastructure and private development that promote economic growth, revitalize communities and enhance the quality of life throughout California. The I-Bank's primary programs include the Infrastructure State Revolving Fund (ISRF) Program and several revenue bond financing programs. The ISRF Program provides low-cost financing to public agencies for a variety of infrastructure projects, while the revenue bond financing programs provide tax-exempt and taxable revenue bond financing for manufacturing companies, nonprofit organizations and other public agencies.

During the 2003/2004 fiscal year covered by this report, the I-Bank approved ten loans through the ISRF Program totaling $35,528,800 for local government entities throughout the State for

critically needed infrastructure projects. During the same timeframe, the I-Bank also issued $1,484,327,250 of revenue bonds through the revenue bond financing programs, including seven 501(c)(3) revenue bonds totaling $264,969,000, two industrial development revenue bonds totaling $7,553,250 and two revenue bonds for public agencies totaling $1,211,805,000. Since mid-1995, the I-Bank, including special purpose trusts created by the I-Bank[1], and the former California Economic Development Financing Authority, which was incorporated into the I-Bank in 1999, has issued a total of more than $10.3 billion of bonds. Revenue bonds issued by the I-Bank are payable solely from the revenues of the underlying borrower, and are neither backed nor guaranteed by either the State or the I-Bank.

In addition to the above activities, in August 2003, the I-Bank sold, as agent for the State, a portion of California's tobacco settlement revenues to the Golden State Tobacco Securitization Corporation (Corporation). The State received the revenues pursuant to the Master Settlement Agreement between the attorneys general of 46 states and four of the largest United States tobacco manufacturers. The Corporation in turn issued tobacco settlement bonds to provide the State with funds to address the State's budget deficit. The sale of the tobacco settlement revenues by the I-Bank and the issuance of the bonds by the Corporation was authorized by Chapter 414, Statutes of 2002 (SB 1831).

The 2003-2004 State Budget, Chapter 157, Statutes 2003 (AB 1765), eliminated the Technology, Trade and Commerce Agency and transferred the I-Bank to the Business, Transportation and Housing Agency effective January 1, 2004.

[1] Does not include bonds issued by the Golden State Tobacco Securitization Corporation.

ACTIVITIES DURING FISCAL YEAR 2003/2004

The following is a summary of I-Bank activities for the 2003/2004 fiscal year:

(a) Listing of applications accepted, including a description of the expected employment impact of each project.

For the ISRF Program, the I-Bank accepted ten new preliminary applications and thirteen new financing applications. The I-Bank also accepted eleven applications for revenue bond financing. Listings of these applications are contained in Appendix 1. Expected public benefits and employment projections for approved projects are contained in Appendix 2.

(b) Specification of loans approved and bonds sold, and interest rates thereon.

The I-Bank approved ten loans through the ISRF Program totaling $35,528,800 and completed the issuance of eleven revenue bonds totaling $1,484,327,250. Appendix 2 contains a listing of the loans approved and bonds sold during this period, and includes other project information such as project locations, interest rates, information on other public benefits and projected employment impact.

(c) Amount of other public and private funds leveraged by the assistance provided.

The $35,528,800 of loans approved through the ISRF Program will leverage approximately $26,894,445 of other public and private funds. Revenue bonds issued through the revenue bond financing programs will leverage approximately $3,925,822,600 of other public and private funding sources.

(d) A report of revenues and expenditures for the preceding fiscal year, including all of the I-Bank's costs.

During the 2003/2004 fiscal year, the California Infrastructure and Economic Development Bank Fund realized total revenues of $5,479,317 which included fees, interest earned and loan repayments, and total expenditures of $152,476,604[2], which included disbursements for local

[2] Does not include revenues or expenditures on funds held by the bond trustee for the ISRF Program Revenue Bonds, Series 2004.

assistance and a transfer to the California Infrastructure Guarantee Trust Fund, encumbrances for undisbursed loans, and operating expenditures.

(e) A projection of the I-Bank's needs and requirements for the coming year.

It is unknown whether the Business, Transportation and Housing Agency will seek any new positions for the I-Bank during the 2005/2006 fiscal year.

(f) Recommendations for changes in State and Federal law necessary to meet the objectives of this division.

None.

APPENDICES

1: Listing of Applications Received
2: Listing of Loans Approved and Bonds Sold

Appendix 1
Listing of Applications Received
Fiscal Year 2003/2004

Name of Applicant	Project Location	Type of Application[3]	Type of Financing[4]	Proposed Project Description	Amount Requested
Elite Leather Company, Inc	Chino	Preliminary	IDB	Finance acquisition of land and existing building, improvements to the building, and acquisition of new manufacturing equipment.	$5,000,000
Placer County Redevelopment Agency	Kings Beach	Preliminary	ISRF	Construction of a 20 space public parking lot.	$285,000
City of Laguna Beach	Laguna Beach	Preliminary	ISRF	Rehabilitate 17 miles of gravity sewer main and transmission lines and manhole covers.	$2,000,000
Hawthorne Redevelopment Agency	Hawthorne	Preliminary	ISRF	Construction of a new facility for the Los Angeles Air Force Base.	$10,000,000
City of South Pasadena	South Pasadena	Preliminary	ISRF	Construction of a 2.4 million-gallon-concrete reservoir, pump house, valve vault, yard piping, site pavement and landscaping.	$6,000,000
Carmel Area Wastewater District	Carmel	Preliminary	ISRF	Construction of a sewage pump station and 3 miles of sewer pipeline.	$2,524,250
Del Norte Solid Waste Management Authority	Del Norte County	Preliminary	ISRF	Construction of a new solid waste transfer station and related street improvements.	$2,468,102
JBM Properties LLC	Vista	Preliminary	IDB	Finance the acquisition of a new manufacturing facility and the construction of related building improvements.	$5,100,000
City of Livermore	Livermore	Preliminary	ISRF	Construction of street, storm drainage, sewer, water and drainage improvements in the downtown area.	$5,000,000
High Valley Water District	Banning	Preliminary	ISRF	Installation of 2 water wells, and a booster pump station.	$650,000
City of San Luis Obispo	San Luis Obispo	Preliminary	ISRF	Construction of a new sewer lift station, and installation of sewer mains.	$7,800,000
County of Siskiyou	Yreka	Preliminary	ISRF	Construction of a new juvenile detention facility.	$2,000,000
TOTAL PRELIMINARY APPLICATIONS					**$48,827,352**

[3] "Preliminary" means Preliminary Application. "Application" means a final Financing Application.
[4] "ISRF" mean Infrastructure State Revolving Fund Program, "IDB" means Industrial Development Revenue Bond, 501(c)(3) means Qualified 501(c)(3) Revenue Bond and PARB means Public Agency Revenue Bond.

Appendix 1
Listing of Applications Received
Fiscal Year 2003/2004

Name of Applicant	Project Location	Type of Application[3]	Type of Financing[4]	Proposed Project Description	Amount Requested
SRI International	Menlo Park	Application	501(c)(3)	Finance and/or refinance the acquisition, construction, installation, improvement, renovation, remodeling, replacement, furnishing and equipping of certain research facilities and related appurtenant facilities located at SRI's main campus.	$25,000,000
Sea Education Association, Inc.	San Diego	Application	501(c)(3)	Refinance existing commercial debt incurred for the construction of and related improvements to the SSV Robert C. Seamans, an educational sailing research vessel outfitted with state-of-the-art oceanographic equipment.	$2,500,000
Redevelopment Agency of the City of Fresno/City of Fresno	Fresno	Application	ISRF	Construction of street and related improvements to facilitate the final phase of the installation of backbone infrastructure for the Roeding Business Park.	$4,559,100
Los Osos Community Services District	San Luis Obispo County	Application	ISRF	Construction of 1.4 million gallon storage tank, two water wells, a booster pump station and upgrades to 2.7 miles of water lines.	$7,900,000
City of San Bernardino	San Bernardino	Application	ISRF	Construction of a new 7,900 square foot fire station.	$2,550,000
City of National City	National City	Application	ISRF	Construction of a replacement fire station headquarters.	$2,000,000
California Insurance Guarantee Association	Glendale	Application	PARB	Replenish CIGA's workers' compensation account with enough funds to continue paying covered claims in a timely fashion.	$750,000,000
City of Porterville	Porterville	Application	ISRF	Land acquisition and the construction of irrigation piping; construction of percolation ponds, new sludge drying beds, and new monitoring wells; removal of buried sludge and proper sludge disposal; wastewater treatment facility equipment upgrades; and wastewater system and groundwater tests, studies and work plans.	$5,356,000
City of Kingsburg	Kingsburg	Application	ISRF	Construction of two new wells, an above ground storage tank, and installation of new and replacement water mains.	$4,500,000
City of Laguna Beach	Laguna Beach	Application	ISRF	Rehabilitate 17 miles of gravity sewer main and transmission lines and manhole covers.	$4,000,000
North County Center for Self-Sufficiency Corporation	Oakland	Application	501(c)(3)	Finance the acquisition of land and the construction of an office building and accompanying parking structure thereon to be leased to the County of Alameda to house the administrative headquarters for its Social Services Agency.	$55,000,000
City of Red Bluff	Red Bluff	Application	ISRF	Construction of a 3 million gallon water reservoir, related piping, and the installation of water well equipment.	$4,723,000

Appendix 1
Listing of Applications Received
Fiscal Year 2003/2004

Name of Applicant	Project Location	Type of Application[3]	Type of Financing[4]	Proposed Project Description	Amount Requested
1800 Harrison Foundation	Oakland	Application	501(c)(3)	Refinance existing bonds and capital certificates used to acquire the building used for Kaiser's administrative funtions. Bond proceeds will also be used to make improvements to the building.	$150,000,000
County of Ventura	Ventura County	Application	ISRF	Renovation of a school into an educational/community facility and public park.	$1,243,000
County of Del Norte	Del Norte County	Application	ISRF	Construction of a new solid waste transfer station and related street improvements.	$3,535,000
Carmel Area Wastewater District	Carmel	Application	ISRF	Construction of 3 miles of sewer lines.	$2,524,250
Placer County Redevelopment Agency	Kings Beach	Application	ISRF	Installation of a 20 space public parking lot.	$312,000
Rural Community Assistance Corporation	West Sacramento	Application	501(c)(3)	Refinance existing debt used for the acquisition of an existing building and finance related building improvements.	$3,100,000
City of South Pasadena	South Pasadena	Application	ISRF	Construction of a 2.4 million-gallon-concrete reservoir, pump house, valve vault, yard piping, site pavement and landscaping.	$6,000,000
Para Los Niños	Los Angeles	Application	501(c)(3)	Refinance the acquisition of an existing building and finance related building improvements.	$1,250,000
Orange County Performing Arts Center	Costa Mesa	Application	501(c)(3)	Finance the construction of a 2000-seat concert hall, 500-seat music theater, and an education center.	$180,000,000
California Youth Theatre, Inc.	Los Angeles	Application	501(c)(3)	Refinance existing debt used to purchase and improve an existing performing arts theatre, and to pay for additional theater improvements.	$1,500,000
TOTAL APPLICATIONS					**$1,217,552,350**

Appendix 2
Report of Loans Approved and Bonds Sold
Fiscal Year 2003/2004

Name of Borrower	Project Location	Type of Financing	Interest Rate	Project Description	Public Benefits (Including Employment Impact)[5]	Financing Amount	Leverage
Redevelopment Agency for the City of Yuba City	Yuba City	ISRF	2.93%	Acquire land and construct new roadway connection between State Route 99 and Walton Road.	The project will improve public safety and the regional movement of goods between two major small town arterials. The project will also facilitate commercial/light industrial infill development and economic development efforts, and is estimated to create approximately $729,178 in construction payroll and 23 construction jobs on a person year basis.	$1,905,700	$2,788,429
County of San Bernardino acting on behalf of County Service Area 70, Improvement Zone J	San Bernardino County	ISRF	3.09%	Construct new water well, reservoir, booster station and transmission piping.	The project will improve public health and safety by providing a safe and reliable water source that will meet minimum health department standards, and ensure the provision of adequate fire suppression service. The project is also estimated to create approximately $671,820 in construction payroll and 19 construction jobs on a person year basis.	$2,400,000	$1,332,200
Vermont Village Human Services Corporation	Los Angeles	501(c)(3)	5.12% TIC[6]	Acquisition of land, construction of a new building and the installation of furniture and fixtures.	The project will create an efficient consolidation of County of Los Angeles' Department of Public Social Services staff in central Los Angeles County in a site to house the County's Department of Children and Family Services, Child Support Services Department, Department of Mental Health and Probation and Social Services. The consolidation and expansion of these programs at the proposed facility will enhance the effectiveness and delivery of critical services to the growing target population. The project is estimated to create approximately $6,833,132 in construction payroll and 161 construction jobs on a person year basis.	$41,605,000	$0
Traditional Baking, Inc.	Bloomington	IDB	Variable	Construction of a new manufacturing facility and acquisition of new manufacturing equipment.	The project is estimated to create 60 new jobs within the Agua-Mansa Enterprise Zone within two years of completion. The project is estimated to create approximately $190,000 in construction payroll and 5 construction jobs on a person year basis.	$2,500,000	$45,600

[5] Estimated construction payroll is calculated at 20% of total project construction costs (the average of receipts-to-payroll for the construction industry). Construction jobs are calculated on a person year basis rather than on a permanent basis by dividing the estimated construction payroll by the average annual wage for construction in the county in which the Project is located. County level construction wage data was obtained from the Employment Development Department's website at www.calmis.ca.gov. As of the date of preparation of this report, construction wage data was not available for fiscal year end 2003. As such, county construction wage data for calendar year 2002 was used to calculate estimated construction jobs created.

[6] "TIC" means True Interest Cost.

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Fiscal Year 2003/2004

Name of Borrower	Project Location	Type of Financing	Interest Rate	Project Description	Public Benefits (Including Employment Impact)[5]	Financing Amount	Leverage
City of Fresno Redevelopment Agency/City of Fresno	Fresno	ISRF	3.53%	Construct street and related improvements to facilitate the final phase of the installation of backbone infrastructure for the Roeding Business Park.	The project will facilitate the City's economic and redevelopment efforts to develop underutilized land for commercial and industrial development, and is projected to facilitate the creation of an estimated 1,292 jobs within three years of project construction completion. The project is also estimated to create approximately $1,131,079 in construction payroll and 33 construction jobs on a person year basis.	$4,559,100	$7,120,000
California Department of Transportation	San Francisco Oakland	PARB	5.14% TIC	Complete the seismic retrofitting of five of the seven State-owned bridges located in the San Francisco-Oakland Bay Area.	The project will help protect California citizens and its economy from the negative repercussions resulting from future earthquakes. The project will also restore 3,300 acres of former navy property on Skaggs Island, equal to 3 Golden Gate parks. The project is estimated to create approximately $232,087,000 in construction payroll and 4,258 construction jobs on a person year basis.	$1,160,435,000	$3,924,565,000[7]
SRI International	Menlo Park	501(c)(3)	Variable	Acquisition, construction, installation, improvement, renovation, re-modeling, replacement, furnishing and equipping of certain research facilities and related appurtenant facilities.	New pharmaceutical development and microfabrication facilities will help SRI make a difference in the world through basic and applied research, research services, technology development, and commercialization of their innovations. The project is estimated to create approximately $4,745,714 in construction payroll and 85 construction jobs on a person year basis.	$23,720,000	$0
SRI International	Menlo Park	501(c)(3) Taxable	Variable	Same as above.	Same as above.	$1,280,000	$0
Squaw Valley Public Service District	Placer County	ISRF	3.33%	Construct a 31,000 square foot fire station and administration center.	The project will enable the District to provide adequate fire suppression and emergency medical services to a growing area, provide a community meeting room for area residents, and to serve as a staging area for major disasters within the nearby national forest. The project will directly create three new firefighter jobs. Additional unspecified private sector jobs will be derived from the development and/or expansion of lodging and other tourist-related business already under construction. The project is also estimated to create approximately $1,423,196 in construction payroll and 37 construction jobs on a person year basis.	$2,000,000	$7,222,304

[7] Based on amounts in Chapter 907, Statutes of 2001 (AB 1171).

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Name of Borrower	Project Location	Type of Financing	Interest Rate	Project Description	Public Benefits (Including Employment Impact)[5]	Financing Amount	Leverage
Sea Education Association, Inc.	San Diego	501(c)(3)	3.9% TIC	Refinance existing taxable debt used for the construction and improvements to the sailing ship *SSV Robert Seamans.*	The project will enable SEA to refinance existing commercial debt incurred for the construction and related improvements of the *SSV Robert C. Seamans*, which is an educational sailing research vessel outfitted with state-of-the-art oceanographic equipment. The proposed refinancing is expected to save SEA nearly $40,000 in annual interest expense and provide access for a greater number of students, including those who are economically disadvantaged.	$2,309,000	$1,212,000
City of San Bernardino	San Bernardino	ISRF	2.92%	Construct a 7,900 square foot fire station and acquire two new fire engines.	The project will provide health and safety benefits through the reduction of first responder emergency response time to within five minutes in the northern part of the city, and will provide a base of operations to support emergency and fire suppression services within the city and nearby national forest. The project will create 9-12 new firefighter jobs, and is also estimated to create approximately $528,565 in construction payroll and 15 construction jobs on a person year basis.	$2,550,000	$810,714
City of Laguna Beach	Laguna Beach	ISRF	2.73%	Rehabilitation of 17 miles of existing sewer transmission mains and manholes.	The project will provide health and safety benefits through the elimination of raw sewage spills that have lead to beach closures, will improve water quality, and support a thriving tourist economy. The project is estimated to create approximately $1,345,200 in construction payroll and 30 construction jobs on a person year basis.	$4,000,000	$3,000,000
North County Center for Self-Sufficiency Corporation	Oakland	501(c)(3)	4.2% TIC	Acquisition of land and the construction of an office building and accompanying parking structure.	The project will be leased to the County of Alameda to create an efficient consolidation of County of Alameda's Social Services Agency (SSA) staff, the North County Self-Sufficiency Center, and the SSA Administrative Headquarters. The consolidation and expansion of these programs at the proposed facility will enhance the effectiveness and delivery of critical social service programs. The project is estimated to create approximately $8,873,472 in construction payroll and 175 construction jobs on a person year basis.	$51,700,000	$0

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Report of Loans Approved and Bonds Sold
Fiscal Year 2003/2004

Name of Borrower	Project Location	Type of Financing	Interest Rate	Project Description	Public Benefits (Including Employment Impact)[5]	Financing Amount	Leverage
California Infrastructure and Economic Development Bank (ISRF Program Revenue Bonds, Series 2004)	Sacramento	PARB	4.21% TIC	Leverage outstanding ISRF loans, replenish program loan funds, and establish a debt service reserve fund.	The project will enable the I-Bank to continue to provide a source of low-cost, long-term financing for a wide variety of local infrastructure projects throughout the State and greatly expand the lending capacity of the program without requiring any additional State General Fund appropriations.	$51,370,000	$0
City of Porterville	Porterville	ISRF	2.98%	Construct/install various capital improvements to the sewer system including: land acquisition/leveling; irrigation piping; paving of sludge stock pile area; new percolation ponds; new sludge drying beds; and, treatment plant equipment upgrades.	The project will provide a safe and reliable wastewater system significantly contributing to long-term public health benefits. The project will enable the City to come into compliance with its Waste Discharge Requirements, remove a Cease and Desist Order issued by the RWQCB, and meet current and future system waste discharge requirements due to housing and business expansion demands. The project is estimated to create approximately $881,470 in construction payroll and 27 construction jobs on a person year basis.	$5,356,000	$1,261,507
City of Kingsburg	Kingsburg	ISRF	2.98%	Construct two water wells, a storage tank, and replace/install new water mains within the downtown and eastern parts of the City	The project will improve public health and safety by ensuring an adequate supply of water for domestic consumption at a pressure level that meets both normal, peak and fire flow needs, and ample storage for fire protection purposes. The project will also enable commercial/industrial development along the Golden State Corridor area. The project is estimated to create approximately $1,032,350 in construction payroll and 30 construction jobs on a person year basis.	$4,500,000	$1,200,000
City of Red Bluff	Red Bluff	ISRF	3.07%	Construct new water reservoir, transmission mains and water well improvements.	The project will cure deficiencies related to low water system pressure, inadequate fire flows and minimal emergency water storage for approximately half of the City's residents, and allow the full utilization of existing wells to meet user needs. The project will also facilitate future economic development at the airport industrial park, and is estimated to create approximately $877,742 in construction payroll and 29 construction jobs on a person year basis.	$4,723,000	$0

Appendix 2
Report of Loans Approved and Bonds Sold
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Name of Borrower	Project Location	Type of Financing	Interest Rate	Project Description	Public Benefits (Including Employment Impact)[5]	Financing Amount	Leverage
County of Del Norte	Del Norte County	ISRF	3.07%	Construct new solid waste transfer station and related street improvements to accept up to 200 tons of solid waste from County residents after only County land fill is closed.	The project will provide critical health and safety benefits since it will be the sole solid waste disposal site within the county. The project will also provide environmental benefits through the provision of recycling services. The project is estimated to create approximately $874,269 in construction payroll and 38 construction jobs on a person year basis.	$3,535,000	$2,159,291
1800 Harrison Foundation	Oakland	501(c)(3)	Variable	Refund existing bonds and capital certificates used to acquire the building used for Kaiser's administrative functions. Bond proceeds will also be used to make improvements to the building.	The project will help reduce Kaiser's interest costs, thereby providing savings that help control the cost of member dues for the 6.1 million Californians who are covered by Kaiser's integrated health care programs. The refinancing is expected to provide Kaiser with net present value savings of $24,148,929. The project is estimated to create approximately $985,327 in construction payroll and 19 construction jobs on a person year basis.	$141,525,000	$0
JBM Properties LLC	Vista	IDB	5.45%	Acquisition of a new manufacturing facility and related building improvements.	The project is estimated to create an estimated 13 new jobs and retain 125 existing jobs within two years of completion. The project is estimated to create approximately $69,000 in construction payroll and 1 construction job on a person year basis.	$5,053,250	$0
Rural Community Assistance Corporation	West Sacramento	501(c)(3)	Variable	Replace program funds used on an interim basis for the acquisition of an existing administration building and to provide funding for related building improvements.	The bond financing is the long-term borrowing originally envisioned by the RCAC Board of Directors. The interim financing consisted of temporarily available funds that management has returned to the RCAC Loan Fund for the benefit of rural communities. Bond proceeds will also be used to upgrade the building's operating and support systems to increase resource efficiency, reduce energy consumption, and meet current Americans with Disability Act requirements. The project is estimated to create approximately $105,000 in construction payroll and 2 construction jobs on a person year basis.	$2,830,000	$0
TOTAL						**$1,519,856,050**	**$3,952,717,045**