



## MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on  
Tuesday, October 28, 2008 – 1:30 p.m.  
1001 I Street - Sierra Hearing Room, 2nd Floor  
Sacramento, California 95814

Chairman Dale Bonner called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:33 p.m.

### **1. Call To Order and Roll Call.**

The following Board members were in attendance:

Dale Bonner, Secretary of the Business, Transportation and Housing Agency.

Tom Sheehy represented the Director of the Department of Finance.

Katie Carroll represented the State Treasurer.

Rosario Marin, Secretary of the State and Consumer Services Agency.

D. Everett Rice, Governor's appointee (who joined the meeting at approximately 1:40 p.m.).

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Diane Cummings, Tara Dunn, Molly Arnold and Shelly Renner.

### **2. Executive Director's Report.**

Executive Director Stan Hazelroth introduced the I-Bank's new General Counsel, Molly Arnold and spoke about her extensive state and private sector legal background. Mr. Hazelroth then reported the following:

- The I-Bank's 2007-2008 audit is complete with no audit findings. He handed the members a copy of the audit. He thanked Merrill Stevenson, Credit Support Unit Manager, and the I-Bank's accounting staff for the preparation of another I-Bank audit.
- COPIA: The American Center for Wine, Food and the Arts has submitted Certificates of the Borrower and Material Event Notices for the August 27<sup>th</sup> and September 30<sup>th</sup> payments due under the loan agreement associated with the 2007 refunding bonds issued by the I-Bank in May 2007. He also confirmed that the bonds are current with the next bond payment due in December. Mr. Hazelroth explained that in conduit bond transactions, the I-Bank assigns its rights to receive funds under the loan agreement to the trustee, who is obligated to act on behalf of the bondholders and take all steps reasonably necessary to enforce all of the rights assigned. He further explained that the I-Bank has been unable to obtain COPIA's action plan to address the payment delays from the trustee.
- At the request of the State Treasurer's representative at a prior Board meeting, he surveyed other conduit bond issuers to determine if any had a policy of requiring a borrower to replace a credit enhancement facility if the bond rating fell below the rating required at issuance. Respondents answered that this was not a requirement for the

conduit bonds that they issued, and that such a practice could be either helpful or detrimental depending upon the circumstances.

**Consent Items:**

**3. Approve minutes from the meeting held on August 21, 2008.**

Chairman Bonner called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve this consent item. Mr. Sheehy moved to approve the minutes and Ms. Marin seconded the motion. The minutes were unanimously approved.

**Action Items:**

**4. A resolution approving the sale, issuance and delivery of tax-exempt industrial development revenue bonds for Betts Spring Company, and/or related party, for an amount not to exceed \$10,000,000 to finance an economic development facility located in Fresno, California.**

Ms. Dunn presented a staff report describing the request to finance up to \$10 million in tax-exempt industrial development revenue bonds for the Betts Spring Company (Betts) to be used for the development of a new spring manufacturing and administrative facility. Ms. Dunn indicated that Betts manufactures spring products and truck parts for the transportation and mechanical industries, and that the project involves the relocation of the spring manufacturing division and corporate headquarters from the City of San Leandro to the City of Fresno where the company's vehicle component manufacturing facility is currently located. Ms. Dunn noted that the new manufacturing facility is located on a parcel of land leased from WMB 4-5, LLC, an entity in which Betts holds a controlling interest. She stated that Betts estimates there will be 30 jobs created within 2 years of completion of the project. Ms. Dunn then introduced Marcus Shiveley, Betts' Vice President of Finance and Business Development, and Andrew Alexander of Banc of America Securities LLC, the underwriter for the project.

In response to questions from Chairman Bonner and Ms. Marin, Ms. Dunn briefly explained the scoring criteria utilized by CIDFAC. In response to a question from Mr. Sheehy, Mr. Shiveley confirmed that the project is projected to result in a net increase of jobs over two years.

Chairman Bonner called for any more questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution No. 08-27. Mr. Sheehy moved to approve the resolution and Ms. Marin seconded the motion. The Board unanimously approved the resolution.

**5. A resolution approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds for the Creative Center of Los Altos, dba Pinewood School for an amount not to exceed \$13,500,000 to finance an economic development facility located in Los Altos, California.**

Ms. Dunn presented a staff report describing the request for up to \$13.5 million in tax-exempt 501(c)(3) revenue bonds for the Creative Center of Los Altos, doing business as Pinewood

School (Pinewood) to construct a new lower campus facilities and a new gymnasium. Ms. Dunn discussed that Pinewood provides a rigorous and comprehensive college-preparatory school program for students in the 7<sup>th</sup> to 12<sup>th</sup> grades, that the school currently has approximately 600 students and provides roughly \$500,000 in tuition remission and scholarships annually. Ms. Dunn introduced Scott Riches, Pinewood's President, and Sam Balisy of Kutak Rock, the bond counsel for the project.

In response to a question from Chairman Bonner, Ms. Dunn indicated that the I-Bank does not have a job creation requirement for financing 501(c)(3) projects. Ms. Arnold clarified that the public benefits are the educational benefit to the community consistent with the I-Bank statutes.

Chairman Bonner called for any more questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-28. Ms. Marin moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

**6. A resolution approving the sale, issuance and delivery of tax-exempt 501(c)(3) refunding revenue bonds for the Vine Street Archive Foundation, and/or related party, which would include the Academy of Motion Picture Arts and Sciences, for an amount not to exceed \$35,000,000 to finance an economic development facility located in Los Angeles, California.**

Ms. Dunn presented a staff report in which she indicated the Vine Street Archive Foundation (Vine Street) has requested up to \$35 million in tax-exempt 501(c)(3) refunding revenue bonds to refund the outstanding bond issued by the I-Bank in 2002 (2002 Bonds) to convert the bonds from variable rate demand bonds insured by Ambac Assurance Corporation to variable rate demand bonds secured by a direct-pay letter of credit. Ms. Dunn stated that in June 2008, Ambac's credit rating was downgraded by Moody's Ratings, Inc. and Standard & Poor's, which resulted in increased borrowing costs for Vine Street.

The 2002 Bonds financed the cost of the construction, furnishing and equipping of the Mary Pickford Center for Motion Picture Study (Pickford Center) to serve primarily as a film archive facility. The new bonds are expected to lower borrowing costs and disencumber funds previously used as a debt service reserve fund for the 2002 Bonds to be used for additional Pickford Center improvements. Ms. Dunn introduced Andy Horn, the Academy of Motion Picture Arts and Sciences' Controller.

Chairman Bonner called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-29. Mr. Rice moved to approve the resolution and Ms. Marin seconded the motion. The Board unanimously approved the resolution.

7. **A resolution delegating to the Executive Director the authority to approve an alternate letter of credit to secure the California Infrastructure and Economic Development Bank Tax-Exempt Variable Rate Demand Revenue Bonds, Series 2006 (Le Lycée Francais de Los Angeles Project) in the aggregate principal amount of \$15,000,000, and to execute certifications and representation in relation thereto.**

Ms. Dunn presented a staff report in which she discussed that in September 2006, the I-Bank issued variable rate demand revenue bonds for Le Lycée Francais de Los Angeles (Le Lycée) in the amount of \$15 million (2006 Bonds) to finance the construction of a 96,000 square foot educational facility and parking garage. She explained that the 2006 Bonds were enhanced by letters of credit, that assets of the letter of credit providers were acquired by a new financial entity and that the loan agreement for the 2006 Bonds requires the Board to approve the new credit facility provider. She further explained that newer I-Bank loan agreements do not require the Board approval of post-issuance substitution of credit facility providers so long as a minimum bond rating is maintained.

Ms. Dunn stated that staff intends to bring an item for the Board's consideration approving the delegation to the Executive Director of the authority to approve credit enhancement provider substitutions so long as a minimum bond rating is maintained .

Chairman Bonner called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-30. Ms. Marin moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

8. **A resolution approving Infrastructure State Revolving Fund Program financing for East Orange County Water District, in an amount not to exceed \$1,793,000 to finance a public development facility in the County of Orange known as the New Well Construction and Newport-Barrett-Marcy Distribution Main Replacement Project.**

Ms. Cummings presented a staff report in which she stated that the East Orange County Water District (District) has requested financing in the amount of \$1,793,000 for the New Well Construction and Newport-Barrett-Marcy Distribution Main Replacement Project. She explained that the project includes: the construction of a new water well that will replace an 81 year old well that has outlived its useful life; the replacement of approximately 2,100 linear feet of aging, undersized, deteriorating, and leaking water pipeline on Newport Avenue, Barrett Lane and Marcy Drive; and the replacement of a number of inoperable valves and approximately 28 existing District service connections. Ms. Cummings further explained that the project will increase the overall water availability and reliability, allow conjunctive water use, supports the water objectives in the Orange County General Plan, and is consistent with the District's Urban Water Management Plan.

Chairman Bonner called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-31. Ms. Carroll moved to approve the resolution and Mr. Sheehy seconded the motion. The Board unanimously approved the resolution.

**9. A resolution authorizing an amendment to the human resources consulting services contract with Cooperative Personnel Services to revise the scope of work and to extend the contract term to no later than June 30, 2010.**

Mr. Hazelroth recommended that the Board approve an amendment to extend the contract with Cooperative Personnel Services (CPS) to June 30, 2010, to allow sufficient time to complete all of the tasks in the scope of work, and that the extension will not require an augmentation in contract funding. Mr. Hazelroth discussed the tasks completed to date by CPS, and explained the delay in completing the remaining tasks in the contract scope of work was due to delays by I-Bank staff as a result of increased workload related to the recent downturns in the financial markets.

Chairman Bonner called for any questions or comments from the Board. Ms. Marin discussed the issue that the I-Bank, being a small entity, should not have to pay for such personnel services and offered the thought that at least one of the agencies represented on the Board should be able to provide the personnel services at no cost to the I-Bank. Mr. Sheehy commented that the I-Bank would typically have to contract with and pay another state agency, that the work remaining to be completed under the contract is necessary to ensure stable staffing, that CPS is staffed by experienced former state personnel who have a good reputation of providing reasonably priced services to state entities, and that he has no problem extending the contract with CPS. Chairman Bonner agreed with both Ms. Marin's and Mr. Sheehy's concerns.

Chairman Bonner called for any more questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-32. Mr. Sheehy moved to approve the resolution and Mr. Rice seconded the motion. The resolution was approved by all of the Board members, except for Ms. Marin, who opposed the resolution.

**10. A resolution authorizing the Executive Director to accept the conditions of a long-term lease to be entered into by the Department of General Services for space to be occupied by the Infrastructure Bank at 980 9<sup>th</sup> Street, Sacramento, California; authorize the execution of the lease by the Department of General Services; and permit the encumbrance of funds therefore.**

Mr. Hazelroth presented a staff report in which he stated that the Cal/EPA Secretary informed him the I-Bank needs to vacate the space in the Cal/EPA building since the agency needs the space for its own purposes. Mr. Hazelroth explained that the I-Bank, through the Business, Transportation and Housing Agency (BTH Agency), engaged the Department of General Services (DGS) to locate new office space, that space has been identified at 980 9<sup>th</sup> Street on the 9<sup>th</sup> Floor in the same building occupied by the BTH Agency, and that DGS is ready to execute a multi-year lease. Mr. Hazelroth also added that the relocation will necessitate additional future costs including, but not limited to, the acquisition of additional equipment, furniture, and the securing of information technology services.

Chairman Bonner called for questions or comments from the Board. Mr. Hazelroth clarified for Ms. Marin the start date for the lease and the comparison of current and future rent costs.

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Chairman Bonner called for any more questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 08-33. Mr. Rice moved to approve the resolution and Ms. Marin seconded the motion. The Board approved the resolution, except for Mr. Sheehy, who abstained.

**Other Business.**

Chairman Bonner called for any other business; there was none.

**Public Comment.**

Chairman Bonner called for any public comment; there was none.

**Adjournment.**

Chairman Bonner declared the meeting adjourned at approximately 2:30 p.m.