

MINUTES

**California Industrial Development
Financing Advisory Commission
915 Capitol Mall, Room 587
Sacramento, California
February 27, 2008**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Acting Chair, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:33 a.m.

Members Present: Bettina Redway for Chairman Bill Lockyer, State Treasurer
Vince Brown for Michael C. Genest, Director, Department of Finance
Dave O’Toole for John Chiang, State Controller
Preston DuFauchard, California Corporations Commissioner,
Department of Corporations
Stanton Hazelroth for Dale Bonner, Agency Secretary, Business,
Transportation and Housing Agency (arrived at 10:55 a.m.)

Staff Present: Tom Dresslar, Executive Director
Eileen Marxen, Deputy Executive Director

Quorum: The Acting Chair declared a quorum. It was noted that Mr. Hazelroth had not yet arrived.

2. APPROVAL OF JANUARY 23, 2008 MEETING MINUTES

Ms. Redway asked if there were any comments on the January 23, 2008, meeting minutes. There were none.

Vince Brown moved approval of the minutes of the January 23, 2008 meeting; upon a second, the motion was unanimously approved.

3. EXECUTIVE DIRECTOR’S REPORT

Tom Dresslar briefly discussed the Allocation Summary report, which shows an estimated allocation remaining at the end of February of \$88.5 million. The estimated \$88.5 million in remaining allocation is made up of approximately \$71 million for the core program and \$17.6 million for the small business program.

Mr. Dresslar then provided an update on the effort to include a change in the definition of “manufacturing facilities” in the economic stimulus package that was recently passed by

Congress. The timing was not advantageous for the effort, and the change was not included in the stimulus package. However, staff will continue to monitor ongoing efforts to include the change in future legislation and will remain in contact with the California delegation concerning such efforts.

Mr. Dresslar asked Eileen Marxen to describe the CIDFAC Fund Condition Statement. Ms. Marxen explained that, because other Boards, Commissions, and Authorities had received requests from the public for budgetary information, CIDFAC staff decided to make this information available to the public at its Board meeting in order to be consistent with the other agencies.

She stated that fund condition is estimated for the current Fiscal Year 2007-08 and for Fiscal Year 2008-09. The current fiscal year started out with \$145,000 and staff anticipates ending with \$171,000. Expenditures are predictable, and staff believes that the revenue estimates are good, given the level of issuance the Commission has had the first part of the fiscal year. Revenues are expected to be close to estimates.

Ms. Redway asked if there were any questions or comments. There were none.

4. BUSINESS ITEMS

A. STAFF RECOMMENDATION CONCERNING CIDFAC'S PROCEDURES FOR ALLOCATING TAX-EXEMPT CAP TO INDUSTRIAL DEVELOPMENT BOND PROJECTS

Ms. Marxen reported that, at its February 27, 2008 meeting, the California Debt Limit Allocation Committee (CDLAC) will hear its staff's proposal that the Committee award Small-Issue Industrial Development Bond Allocation to CIDFAC for the purpose of administering the Industrial Development Bond (IDB) Program. If CDLAC approves the request, then CIDFAC will approve both the issuance of IDBs by local issuers and the award of tax-exempt IDB allocation to local issuers and the California Infrastructure and Economic Development Bank. This "one-stop shop" process would start at CIDFAC's April 23, 2008 meeting. Neither CDLAC nor CIDFAC staff has received any indication that the IDB community opposes this proposal.

Ms. Marxen stated that, in anticipation of receiving the award of IDB allocation, CIDFAC must adopt a process by which it will approve allocation for individual projects. Staff recommends that the Commission adopt a process whereby IDB allocation rounds will be competitive based upon the public benefits point scheme in CDLAC's procedures.

Ms. Marxen stated that staff's recommendation is based on three factors: (1) out of a total allocation of \$120 million to the IDB pool, it is anticipated that CDLAC and CIDFAC will have awarded \$31,440,000 by the time of CIDFAC's April meeting, which signals that there will be a strong demand for IDB financing in 2008; (2) CIDFAC's informal survey of issuers and practitioners shows a possible demand of over \$200 million; and (3) there are established procedures and precedent for competitive allocation rounds.

Ms. Marxen recommended that the Commission declare allocation rounds beginning with the April 2008 round to be competitive. She further recommended that the Commission adopt competitive parameters similar to those used in the past and in keeping with current CDLAC procedures for competitive rounds. In addition, she recommended that the Board adopt a \$20 million per round cap. The award of allocation would then be made as projects become available for financing throughout the year and based on existing minimum requirements and the existing CDLAC point system. Such procedures would direct allocation to projects that provide the greatest public benefits and earn the highest points.

Finally, Ms. Marxen recommended that the Board reserve the option to increase the per round cap by up to \$2 million in the case there are highly competitive projects requesting allocation that exceeds the \$20 million cap. She said the \$2 million figure should provide sufficient flexibility.

Preston DuFauchard questioned whether a resolution was needed to allow the Board to adopt the CDLAC procedures, or if this could be done simply by a voice vote based on staff's recommendation. He also inquired as to how this would be announced to the public.

Ms. Marxen responded that adoption of staff's recommendation by the Board is sufficient. She stated that in anticipation of this action, staff has spoken to practitioners to alert them that future allocation rounds may be competitive. She said that, if the Board approves staff's recommendation, then staff will notify interested parties by email and by posting notice on the CIDFAC website. Because the first competitive round will not be until April, practitioners will have 60 days to prepare applications with the competitive process in mind.

Ms. Redway asked if there were any other questions or comments from the Board or from the public.

Keith Sutton, Industrial Development Authority of Alameda County, expressed concerns about the month-to-month allocation with a \$20 million cap. He stated that projects can come in at any time of the year and must proceed in a fairly quick fashion to provide the needed funding. Mr. Sutton expressed further concern about larger projects using up the allocation.

Ms. Redway responded that the Board is sympathetic and that, should the situation arise, staff can take another look at the competitive procedures. She stated that staff looked at historic practices to come up with a recommendation that would not create a disruption of business flow through CIDFAC. Since there is limited allocation for the projects coming through, the goal is that the projects with the highest scores will receive allocation. Ms. Redway then asked if Mr. Sutton had any alternative suggestions.

Mr. Sutton responded that these recommended changes would prevent the program from growing, and it would further hinder smaller manufacturing businesses competing with

larger businesses for financing. He stated that manufacturers need to be encouraged to invest in California and that imposing a point system makes it more difficult for the smaller businesses.

Mr. DuFauchard responded that the Board is trying to find a way to avoid creating a competitive disadvantage for borrowers by virtue of their placement on the calendar when they have projects that don't become ready for financing until later in the year.

Mr. Sutton responded that the monthly cap puts smaller projects at a competitive disadvantage if larger projects use up the allocation in a particular month.

Ms. Marxen responded that any project applying for allocation in a particular month that does not get the allocation based on the point scheme can apply in subsequent allocation rounds. The rounds will be conducted every 30 days until allocation has been exhausted, and the same point system that is currently being used will continue to be used going forward. IDB projects often come to fruition later in the year, and the recommended process allows the allocation to continue to be available later in the year.

Ms. Redway asked whether any unused allocation in a particular month would roll to the next month and be available in addition to the next month's \$20 million.

Ms. Marxen responded that allocation not used in one round will be available in subsequent rounds.

Mr. Sutton responded that this would seem to negate the need for a cap.

Ms. Redway stated that the intent of the Board is to award to those who can provide the most jobs and the most benefit to the communities.

Mr. Brown commented that this is an appropriate process to manage the allocation and to create competition. He further stated that the additional \$2 million cushion provides adequate flexibility to deal with the month-to-month allocation process.

Mr. Brown moved approval; upon a second, the motion was unanimously approved.

At this point, Mr. Hazelroth arrived at the meeting.

Dave O'Toole announced that due to a potential conflict of interest, the Controller's Office would not be participating in the next item. He then left the room.

B. REQUEST TO APPROVE INITIAL AND FINAL RESOLUTIONS FOR TAX-EXEMPT (TE) BONDS

Staff introduced Steve Levake, General Manager, Evapco, Inc.; and Paula Connors, Executive Director, California Enterprise Development Authority.

- 1) **On behalf of Evapco, Inc., and/or related or affiliated parties, the California Enterprise Development Authority** requested approval of the Initial and Final Resolution No. 08-0006 for an amount up to \$7,000,000. Bond proceeds will be used for the construction of a new, 40,000 square-foot manufacturing building at the Company’s existing site in the City of Madera. In addition, bond proceeds will be used for the acquisition and installation of manufacturing equipment and construction of additional outside concrete yard space for storage. Presented by – Deanna Hamelin.

Ms. Redway asked if there were any comments.

Ms. Conners stated that the project is located in the Enterprise Zone in Madera, and the Company is a very active member of the community. She invited Mr. Levake to talk about the jobs at the Evapco facility in order to provide the Board with a sense of the public benefits of the proposed project.

Mr. Levake reported that the Company is primarily a fabricator of sheet metal products, and the type of duties in the manufacturing plant range from basic cutting to welding. Jobs at the plant include master welders and assemblers. Wages paid range from about \$11 to about \$21 per hour.

Mr. DuFauchard asked what the total employee base is in relation to the number of employees at the Madera facility.

Mr. Levake replied that total employees at this time is somewhere between 1,300 and 1,400 employees.

Ms. Redway asked if there were any further questions or comments from the Board members or the public. There were none.

Mr. Brown moved approval; upon a second, the motion was unanimously approved.

Mr. O’Toole returned to the room.

Staff introduced William Borgers, President, Ventura Coastal; James Kordas, GE Government Finance; and John Stoecker, Financial Advisor to the California Municipal Finance Authority.

- 2) **On behalf of Ventura Coastal, LLC (the “Company”), the California Municipal Finance Authority (“CMFA” or the “Issuer”)** requested approval of the Initial and Final Resolution No. 08-0004 for an amount not to exceed \$7,500,000. The project is located in the City of Visalia in unincorporated Tulare County. The Company is a fruit and vegetable juice processor and produces both fresh juice and concentrate. Its products are sold to companies such as Tropicana, Sunkist, Langers, Safeway Stores, and Newman’s Own. Bond proceeds will be used for the acquisition and installation

of new juice processing equipment, including debittering equipment, de-oiling systems, and handling systems at the Visalia plant. Presented by – Deanna Hamelin.

Ms. Redway asked if there were any comments.

Mr. Brown inquired as to the actual expected life of the equipment.

Mr. Borgers responded that he expects the equipment to stay technologically current for 15 years.

Ms. Redway asked if there were any further questions from the Board. There were none.

Mr. DuFauchard moved approval; upon a second, the motion was unanimously approved.

C.&D. REQUEST TO APPROVE INITIAL AND FINAL RESOLUTION FOR TAX-EXEMPT(TE) BONDS FOR THE SMALL BUSINESS PROGRAM (SBP)

Ms. Marxen noted that this is a small business program transaction and the Board would be acting on two resolutions – the approval resolution and the allocation resolution.

Staff introduced Walt Vennemeyer, Financial Advisor, Progressive Capital; Javier Padilla, Oakland Pallet; and Keith Sutton, IDA Alameda County.

1) The issuer, the Industrial Development Authority of Alameda County, on behalf of the Borrower, SPJC LLC requested approval of Initial and Final Resolution No. 08-008 and SBP Allocation No. 08-008A for an amount not to exceed \$2,340,000. The user of the Project will be Oakland Pallet Company, Inc. The Project is located in the City of San Lorenzo in Alameda County. The Company manufactures new wooden pallets, repairs damaged pallets, and recycles the deteriorated and unusable pallets. The pallets are company-owned and are rented to its customers, which include Coca Cola Bottling Co., E & G Gallo Winery, Ghirardelli Chocolate, and S. Martinelli & Company. Bond proceeds will be used for the construction of a new, 3,000 square-foot metal operations/manufacturing building on the company-owned site in the City of San Lorenzo. In addition, bond proceeds will be used for the acquisition and installation of equipment, including a new computer-controlled pallet manufacturing machine, a conveyor driven repair system with stacking machines, a conveyor pre-sort system for returned pallets, stackers and sorters, metal work stations with lead board removers, and new forklifts and trailers. Presented by – Deanna Hamelin.

Ms. Marxen clarified that staff was asking for action on Final Resolution No. 08-008 and Small Business Program Allocation Resolution No. 08-008A.

Agenda Item – 2.

Mr. DuFauchard asked if a separate motion was needed or if one motion could cover both resolutions.

Ms. Marxen replied that separate motions were not needed.

Ms. Redway asked if there were any questions or comments from the Board or the public. There were none.

Mr. Hazelroth moved approval; upon a second, the motion was unanimously carried.

5. PUBLIC COMMENT

Bettina Redway asked for public comments. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:07 a.m.

Respectfully submitted,

Tom Dresslar
Executive Director