

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT BOND PROJECT

Prepared by Richard C. Fischer

Applicant: California Enterprise Development Authority

Allocation Amount Requested: \$10,000,000

Project Name: **Tri Tool Incorporated**
Project Address: 3041 Sunrise Boulevard
Project City, County, Zip Code: Rancho Cordova, Sacramento, 95742-6502

Project Sponsor Information:
Name: Tri Tool Inc.
Principals: George J. Wernette, Jerri Wernette, Carl A. Anderson and the Wernette Family Trust

Project User Information:
Name: Tri Tool Inc.
Principals: Same individual names as above

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Gates Capital Corporation
Credit Enhancement Provider: Comerica Bank
Private Placement Purchaser: Not Applicable

Description of Proposed Project:

Principal products to be manufactured:	Precision portable machine tools.
Number of jobs created:	100
Number of jobs retained:	107
Jobs-to-bond ratio:	\$48,309
Estimated total development cost:	\$14,041,500

Legal Questionnaire:
The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 50 out of 85

Recommendation:
Staff recommends that the Committee approve \$10,000,000 in tax-exempt bond allocation.

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PROJECT NAME: **Tri Tool Incorporated**

Project Address: 3041 Sunrise Boulevard
Project City, County, Zip Code: Rancho Cordova, Sacramento, 95742-6502

PROJECT SPONSOR INFORMATION:

Name: Tri Tool Inc.
Principals: George J. Wernette, Jerri Wernette, Carl A. Anderson and the
Wernette Family Trust
Address: 3806 Security Park Drive
Rancho Cordova, Sacramento, 95742-6990
Phone: (916) 351-0144

PROJECT USER INFORMATION:

Name: Tri Tool Inc.
Principals: Same as Project Sponsor
Address: Same as Project Sponsor
Phone: Same as Project Sponsor

PROJECT FINANCING INFORMATION:

Bond Counsel: Kutak Rock LLP
Underwriter: Gates Capital Corporation
Credit Enhancement Provider: Comerica Bank
Private Placement Purchaser: Not Applicable
TEFRA Hearing: February 13, 2007

DESCRIPTION OF PROPOSED PROJECT:

Description of project, renovation or new construction, the number of square feet to be constructed/renovated:

The acquisition and renovation of an existing 125,000 square foot building and the acquisition of new advanced production equipment.

Type of equipment being purchased:

New computer controlled milling, cutting and machining equipment.

Principal products to be manufactured:

Precision portable machine tools.

Purpose of the project:

The new facility will provide ample room to accommodate production and employment growth for the foreseeable future and the efficient layout of engineering, sales and administrative functions

Estimated total development cost: \$14,041,500

Relocation:

Existing facility is inadequate for the companies continued growth. The move is to a larger facility within the same city. All positions are being retained and new positions are being added to the production facility.

Sources of funds:

Tax-Exempt Bond Proceeds	\$10,000,000
Taxable Bond Proceeds	\$ 2,000,000
Project Sponsor Equity	\$ 0
Other Sources	<u>\$ 2,041,500</u>
Total Sources	\$14,041,500

Uses of funds:

Equipment Acquisition and Installation	\$ 1,650,000
Existing Building Acquisition	\$ 7,200,000
Acquisition of Land	\$ 2,700,000
Improvements of Existing Building	\$ 2,200,000
Engineering/Architecture	\$ 50,000
Legal, Permits, etc.	\$ 40,000
Cost of Issuance (including discount)	\$ 201,500
Letter of Credit or Bond Insurance Fee	\$ 0
Other Costs (Interest During Const)	<u>\$ 0</u>
Total Uses	\$14,041,500

DESCRIPTION OF PUBLIC BENEFITS:

Distressed community location:

Not applicable.

Total number of new jobs to be created and jobs to be retained within two years of project completion:

	Jobs Created	Jobs Retained	Total Jobs Retained
Management:	17	24	41
Skilled & Semi Skilled:	83	83	166
Unskilled:	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	100	107	207

Total jobs/Allocation ratio: 1 job per \$48,309 in allocation (\$10,000,000 /207)

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed	Points Scored
<u>Community Economic Need:</u>		
1. Unemployment Rate of Project Area	10	0
2. Poverty Rate of Project Area	5	0
3. Special Designation Area	5	0
4. Median Family Income of Project Area	5	0
Job Creation Ratio (1/\$46,429)	25	15
Welfare to Work Program Participation	5	5
Employee Benefits	5	5
Average Hourly Wage	5	5
Land Use	5	5
Transit Corridor	5	5
Energy Efficiency	5	5
Leveraging	5	5
Total Points	85	50

COMMENTS:

1. The proposed Project will create an estimated 100 new jobs and retain 107 existing jobs for a total of 207 jobs. This results in jobs-to-bond ratio of one new job for every \$48,309 of allocation and the Project received 15 points in this category.
2. The Project User will participate in a Welfare-to-Work Program in hiring its new employees.
3. The Project User contributes an average of \$501.54 a month towards the cost of health benefits for its employees and dependents.
4. The proposed Project's hourly wage is 155% of the applicable general manufacturing wage.
5. The proposed Project has received a total score of 50 points.
6. The Staff has reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

RECOMMENDATION:

Staff recommends that the Committee approve \$10,000,000 in tax-exempt bond allocation.

Staff Report prepared by Richard C. Fischer.