

MINUTES

January 23, 2008

(Agenda Item 2)

California Debt Limit Allocation Committee
Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

Call to Order and Roll Call (Agenda Item 1)

Treasurer Bill Lockyer, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:40 p.m.

Members Present: Bill Lockyer, State Treasurer
Vince Brown for Arnold Schwarzenegger, Governor
David O'Toole for John Chiang, State Controller

Advisory Members Present: Theresa Parker,
California Housing Finance Agency (CalHFA)

Russ Schmunk, representing Lynn Jacobs,
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Approval of the Minutes of the December 5, 2007 Meeting (Agenda Item 2) (Action Item)

Vince Brown moved approval of the minutes from the December 5, 2007 meeting. Upon a second, the minutes passed with the following vote: Vince Brown: Aye; Treasurer Bill Lockyer: Aye; David O'Toole: abstained.

Executive Director's Report (Agenda Item 3) (Informational Item)

Joanie Jones Kelly reported the following on today's Agenda:

- Establish the 2008 private activity bond cap and establish the allocation pools for 2008.
- Consideration of applications in the following program categories requesting allocation; Small Issue Industrial Development Bonds (IDB's) are requesting a total allocation of \$12,471,886, Exempt Facility Bonds are requesting a total allocation of \$5,630,000, Single Family Housing Mortgage Credit Certificate (MCC) Program is requesting a total Fair Share allocation of \$33,090,493. In the Qualified Residential Rental Pool, the rural pool is

requesting a total allocation of \$16,641,259, the mixed-income pool is requesting a total allocation of \$50,000,000, and the general pool is requesting an allocation of \$231,445,000.

- On the January Agenda for all CDLAC programs the total allocation requested is \$369,278,638.
- Requesting approval of the draft Student Loan Procedures, to begin the 30-day public comment period. If the committee approves the draft Student Loan Procedures for distribution at this meeting, CDLAC has scheduled a February 27th meeting to review the Student Loan Procedures for final approval. The reason for the special meeting is to allow the revised Student Loan procedures to be in place for the Student Loan allocation meeting scheduled for May 2008.

Determination and Adoption of the 2008 State Ceiling on Qualified Private Activity Bonds (Agenda Item 4) (Action Item) Staff –Misti Armstrong

Misti Armstrong stated that Section 146 (j) of the Internal Revenue Code requires that the calculation of the annual State Ceiling be based on the most recent resident population estimate released by the U.S. Bureau of the Census before the beginning of the calendar year. On December 27, 2007, the U.S. Census Bureau issued press release #CB07-184 reporting California's estimated population at **36,553,215**. This is a .3% increase from the population estimate of 36,457,549 used to set the 2007 State Ceiling. Inflation and population results in a new bond volume cap of **\$3,107,023,275**. In terms of dollars, *this is an \$8,131,610 increase over the 2007 State Ceiling*.

The Internal Revenue Service has announced that the 2008 volume limit on qualified private activity bonds adjusted for inflation is \$85 multiplied by the state's population. The California 2008 State Ceiling on qualified private activity bonds is **\$3,107,023,275** calculated as (\$85 x 36,553,215).

Staff recommends adoption of the attached resolution establishing the 2008 State Ceiling on qualified private activity bonds at **\$3,107,023,275**.

David O'Toole moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

Consideration and Adoption of the Apportionment of the 2008 State Ceiling among the State Ceiling Pools (Agenda Item 5) (Action Item) Staff – Misti Armstrong

Misti Armstrong stated that in accordance with the CDLAC procedures, at the beginning of each calendar year, the Committee must establish and announce the amounts the Committee expects to be apportioned to each of the State Ceiling Pools and the amounts that are expected to be available in each of the allocation rounds for the 2008 year. In establishing the amounts for the pools, the Committee may consider the past year's results and legislative priorities.

The Committee's Legislative priorities are:

1. Promote housing for lower income families and individuals;
2. Preserve and rehabilitate existing governmental assisted housing for lower income families and individuals; and
3. Provide mortgages tax credits or reduced interest rate mortgages to assist teachers, principals, vice principals, assistant principals, and classified employees who are willing to serve in high priority schools to purchase a home.

The Housing Program Pools are recommended to receive 75% of the volume cap a total of \$2,332,023,275,

of that total multifamily housing is allocated \$1,722,023,275 and Single Family housing is allocated \$610,000,000 (including the Extra Credit Teacher Program). The Non-housing Programs are to receive the remaining 25% of the volume cap a total of \$775,000,000, of that total \$120,000,000 is allocated for the Industrial Development Bond Program (including the IDB Small Business Program), \$430,000,000 is allocated for the Exempt Facility Program, and \$225,000,000 is allocated for the Student Loan Program.

Staff recommends adoption of the reservation amounts as presented that reflect the statutory emphasis on affordable housing.

David O’Toole moved approval of staff’s recommendation. Upon a second, the motion passed 3-0 with the following vote: David O’Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

Consideration of an Application and Award of Allocation for a Small Business Program Under the Small-Issue Industrial Development Bond Project Pool (Agenda Item 6) (Action Item) Staff – Richard Fischer

Richard Fischer stated that the purpose of the Industrial Development Bond (IDB) Small Business Program (SBP) is to make tax-exempt bond financing available to small businesses that generally would not have access to low cost tax-exempt bond financing. This is done by expediting the approval process. By providing the allocation to the California Industrial Development Financing Advisory Commission (CIDFAC) the Borrower is able to receive their financing and allocation approval at the same time. Monthly CIDFAC meetings also ensure the Borrower does not have to wait 60-90- days for a Committee allocation approval; thus eliminating the need for expensive interim financing.

Staff recommends approval of \$20,000,000 in tax-exempt bond authority to the California Industrial Development Financing Advisory Commission (CIDFAC) for the Industrial Development Small Business Program.

<u>ISSUER</u>	<u>PROGRAM</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Industrial Development Financing	Small Business Program	\$20,000,000	\$20,000,000

Vince Brown moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Small-Issue Industrial Development Bond Projects and Awards of Allocation (Agenda Item 7) (Action Item) Staff – Richard Fischer

a. Consideration of appeals

There are no appeals for this agenda item

b. Consideration of applications

Richard Fischer stated that the Committee received two Industrial Development Bond projects requesting allocation. The Applicants are: Colorgraphics, Inc. in the City of Los Angeles from the Industrial Development Authority of the City of Los Angeles for \$8,600,000 and Superior KBA Printing Press in the City of Vernon from the I-Bank for \$3,871,886.

Staff recommends approval of \$12,471,886 in allocation for both Industrial Development projects.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Industrial Development Authority of the City of Los Angeles (08-007)	Colorgraphics, Inc.	\$8,600,000	\$8,600,000
California Infrastructure & Economic Development Bank (08-038)	Superior KBA Printing Press	\$3,871,886	\$3,871,886

Vince Brown moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation (Agenda Item 8) (Action Item)
Staff – Misti Armstrong

a. Consideration of appeals

There are no appeals for this agenda item.

b. Consideration of applications

David O’Toole stated that he would not be voting on this Agenda Item and he left the meeting.

Misti Armstrong stated that the Committee received three First Tier (small business) Exempt Facility applications, however, Solid Wastes of Willits, Inc., and Yulupa Investments, Inc., were withdrawn. The remaining project is under regulatory mandate from the California Pollution Control Authority (CPCFA) for the Amador Valley Industries, LLC & Pleasanton Garbage Service, Inc. in the City of Pleasanton for \$5,630,000.

Staff recommends approval of \$5,630,000 in tax-exempt bond allocation for the Exempt Facility project.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Pollution Control Financing Authority (08-037)	Amador Valley Industries, LLC & Pleasanton Garbage Service, Inc.	\$5,630,000	\$5,630,000
California Pollution Control Financing Authority (08-035)	Solid Wastes of Willits, Inc.	\$4,345,000	Withdrawn
California Pollution Control Financing Authority (08-036)	Yulupa Investments, Inc.	\$7,830,000	Withdrawn

Vince Brown moved approval of staff’s recommendation. Upon a second, the item passed 2-0 with the following vote: Vince Brown: Aye; State Treasurer: Aye. David O’Toole abstained.

David O'Toole rejoined the meeting.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation (Agenda Item 9)
(Action Item) Staff – Sarah Lester

a. Consideration of appeals

There are no appeals for this agenda item.

b. Consideration of applications

The Committee received four applications requesting Mortgage Credit Certificates (MCC) authority from the following local agencies: the County of Santa Clara requested their Fair Share allocation of \$12,001,694, the City and County of San Francisco requested their Fair Share allocation of \$5,369,025, the City of San Diego requested their Fair Share allocation of \$8,800,819, and Contra Costa County requested their Fair Share allocation of \$6,918,955.

Staff recommends an award of allocation sufficient to fund the Fair Share allocation for the four MCC program applications for \$33,090,493.

<u>ISSUER</u>	<u>PROJECT</u>	<u>FAIR SHARE AMOUNT AWARDED</u>
County of Santa Clara (08-017)	MCC Program	\$12,001,694
City and County of San Francisco (08-018)	MCC Program	\$5,369,025
City of San Diego (08-019)	MCC Program	\$8,800,819
County of Contra Costa (08-020)	MCC Program	\$6,918,955

David O'Toole moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation (Agenda Item 10)
(Action Item) Staff – Joanie Jones Kelly

a. Consideration of appeals

There are no appeals for this agenda item.

b. Consideration of applications

Joanie Jones Kelly stated the following:

The Rural Pool

The Rural Pool received five applications for a total of \$16,641,259

Staff recommends approval of \$16,641,259 in bond allocation to fund all projects in the Rural Pool.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (08-025)	Thunderbird Apartments	\$2,650,000	\$2,650,000
California Statewide Communities Development Authority (08-022)	Rio Colorado Apartments and Townhomes	\$4,800,000	\$4,800,000
California Statewide Communities Development Authority (08-026)	San Jacinto Vista Apartments	\$1,350,000	\$1,350,000
California Municipal Finance Authority (08-040)	Palisades Apartments	\$4,096,000	\$4,096,000
California Statewide Communities Development Authority (08-021)	Golden Village Apartments	\$3,745,259	\$3,745,259

Vince Brown moved approval of staff’s recommendation for the Rural Pool Projects. Upon a second, the motion passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye.

The Mixed Income Pool

The Mixed Income Pool received one project, Blossom Plaza Apartments in Los Angeles, is requesting \$125,000,000 in allocation. Staff is recommending approval of only \$50 million in allocation based on the fact this is the first allocation meeting of the year staff wants to evaluate the demand for Mixed Income projects for 2008. The project sponsor plans to return to the Committee at a subsequent allocation meeting to request additional allocation for this project.

This project, application 08-005 Blossom Plaza Apartments in Los Angeles, exceeds the \$30 million project cap per project imposed by Section 17.IV of the CDLAC Procedures.

Staff recommends the Committee waive the maximum allocation amount for application 08-005 Blossom

Plaza Apartments based on the demand for rental projects is such that, the maximum allocation amount is not warranted due to the lack of competition there will be excess allocation for the current round.

Staff also recommends the award of allocation in the amount of \$50,000,000 for Blossom Plaza Apartments.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Los Angeles (08-005)	Blossom Plaza Apartments	\$125,000,000	\$50,000,000

Vince Brown moved approval of staff’s recommendation to waive the maximum allocation amount and to approve \$50,000,000 in allocation. Upon a second, the motion passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye.

General Pool

The General Pool received seventeen applications requesting \$231,445,000 in allocation. The Housing Authority of the City of San Diego submitted two applications for the Ten Fifty B Apartments 08-013 for \$27,000,000 (phase I) and 08-014 for \$24,000,000 (phase II) for a total of \$51,000,000. This project exceeds the \$30 million cap per project imposed by Section 17.IV of the CDLAC Procedures.

Staff recommends the Committee waive the maximum allocation amount for 08-013 and 08-014 for the Ten Fifty B Apartments based on the demand for rental projects is such that the maximum allocation amount is not warranted due to lack of competition there will be excess allocation for the current round.

Staff recommends the award of allocation sufficient to fund all demand for allocation in the General Pool.

The Committee voted on the following two General Pool projects:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
Housing Authority of the City of San Diego (08-013)	Ten Fifty B Apartments	\$27,000,000	\$27,000,000
Housing Authority of the City of San Diego (08-014)	Ten Fifty B Apartments	\$24,000,000	\$24,000,000

Vince Brown moved approval of staff’s recommendations. Upon a second, the motion passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye.

The Committee voted on the remaining General Pool projects with the exception of #08-003:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Los Angeles (08-004)	Charles Cobb Apartments	\$11,700,000	\$11,700,000

City of Los Angeles (08-006)	Academy Hall Apartments	\$5,000,000	\$5,000,000
City of San Jose (08-008)	Fairgrounds Senior Apartments	\$28,000,000	\$28,000,000
City and County of San Francisco (08-009)	Mason Street Housing Apartments	\$15,275,000	\$15,275,000
ABAG Finance Authority for Nonprofit Corporations (08-011)	Fair Plaza Senior Apartments	\$3,700,000	\$3,700,000
California Statewide Communities Development Authority (08-012)	Bakersfield Family Apartments	\$11,000,000	\$11,000,000
California Statewide Communities Development Authority (08-015)	Garden Manor Apartments	\$6,500,000	\$6,500,000
California Statewide Communities Development Authority (08-016)	Spring Valley Portolio Apartments	\$27,000,000	\$27,000,000
California Statewide Communities Development Authority (08-024)	Village Grove Apartments	\$2,120,000	\$2,120,000
California Statewide Communities Development Authority (08-028)	Patios de Castillo Apartments and River Rose Apartments	\$3,600,000	\$3,600,000
California Statewide Communities Development Authority (08-029)	Arborelle Apartments	\$14,400,000	\$14,400,000

California Statewide Communities Development Authority (08-032)	Grand Plaza Senior Apartments	\$19,900,000	\$19,900,000
California Statewide Communities Development Authority (08-039)	East Leland Family Apartments	\$16,250,000	\$16,250,000
Housing Authority of the City of Upland (08-041)	Coy D. Estes Senior Apartments II	\$8,500,000	\$8,500,000

Vince Brown moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Vince Brown: Aye; David O’Toole: Aye; Treasurer Bill Lockyer: Aye.

David O’Toole stated that he was unable to vote on the following Agenda Item and he left the meeting.

The remaining General Pool Project was presented to the Committee:

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
City of Los Angeles (08-003)	Burns Manor Apartments	\$7,500,000	\$7,500,000

Vince Brown moved approval of staff’s recommendation to approve the allocation as requested. Upon a second, the motion passed 2-0 with the following vote: Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

David O’Toole rejoined the meeting.

Consideration and Adoption of the December 5, 2007 Proposed Revisions to the Procedures of the California Debt Limit Allocation Committee (Agenda Item 11) (Action Item) Staff – Joanie Jones Kelly

Joanie Jones Kelly stated the following:

Staff recommends approval of the proposed Procedures of the California Debt Limit Allocation Committee (CDLAC) as presented to the Committee at the December 5, 2007 meeting.

CDLAC received several comments regarding sections of the CDLAC Procedures that were not included in the proposed changes presented to the Committee at the December meeting; staff does not have the legal authority to act on those changes at this time. However all recommendations will be reviewed by staff to be considered in future Procedure revisions.

A Public hearing was held on January 10, 2008, at the Treasurer’s office. The following individuals listed below provided verbal and written public comments regarding the proposed changes to the CDLAC Procedures. The comments of each individual have been incorporated into the Committee’s Public

comment matrix (attached).

This staff report provides a summary and analysis of those items that received comments that were either incorporated into the proposed Procedures, or required a staff explanation, and/or were rejected for technical reasons or because they could not be reasonably implemented at this time. Attached for review is a matrix of all comments received including a staff analysis of each comment.

A. Scattered Site Project – Changes CDLAC Procedures to conform to the TCAC regulations, Page 10 CDLAC Procedures.

Comments: There was one support letter and one opposition letter received. The concern identified was that CDLAC and TCAC procedures differ. The rationale for the difference is that TCAC scattered site policy is used as an evaluation criteria only for their 9% tax credit applications, the TCAC 9% Program is a competitive program and limited to affordable multifamily projects only. CDLAC has limited the scattered site projects to a mile radius or projects within the same zip code to ensure there is no reduction in public benefits based on the CDLAC guidelines.

Staff Recommendation: CDLAC will prorate public benefits for scattered site projects to be consistent with TCAC; however CDLAC will maintain the existing distance guidelines for scattered site projects.

Treasurer Bill Lockyer

What does prorate mean?

Joanie Jones Kelly

Explained that site amenity points would be prorated and awarded for the portion of project that met the requirements.

B. First Tier Business – Changes CDLAC Exempt Facility language to conform to the California Pollution Control Authority (CPCFA) regulations, Page 5 CDLAC Procedures.

Comments: There was one support letter and seven letters of opposition received regarding the proposal to change the Exempt Facility First Tier definition. The opposition letters identified the difference of how the definition is used for CPCFA projects compared to CDLAC. CPCFA uses the small business definition to determine whether or not a business qualifies for a Small Business subsidy whereas CDLAC uses the definition to determine allocation priority.

Staff Recommendation: CDLAC not change the Exempt Facility First Tier definition to the CPCFA definition but maintain the existing CDLAC First Tier definition for Exempt Facilities for the purpose of CDLAC allocation.

The following people spoke:

Marc Aprea –Aprea & McHealy

He spoke against maintaining the current CDLAC definition of a first Tier business at 3,000 employees as opposed to 500 employees which is used by CPCFA to qualify as a First Tier business. Mr. Aprea stated that the First Tier definition doesn't evaluate access to capital. According Mr. Aprea it is impossible to determine which employee number is more correct; therefore he asks that the Committee and staff reexamine this issue of employees as a determination for CDLAC priority. In other states they do not look at employees but look at the type and size of the project to determine whether or not it should be a priority. Several states like Nevada and Massachusetts look at the access to capital issue but do not use number of employees as a measure. Mr. Aprea volunteered to work with staff on this issue specifically determining what is a priority project and how to measure that based on the objectives of the Committee.

Tony Cone – Westhoff, Cone & Holmstedt

He spoke in support of maintaining the existing CDLAC definition for First Tier business at 3,000 employees. He stated this system has worked to distinguish between those companies which are independent, small, non-rated, and are not publicly traded. The 3,000 employee demarcation was established to exclude all those who would be 2nd or 3rd Tier because there is a huge difference between the ability of those publicly traded companies to raise capital and compete in the market place.

Treasurer Bill Lockyer

Asked is that comparison quantifiable?

Tony Cone

Mr. Cone responded, if you did a 10 year fixed rate deal today it's our estimation based on today's rates and the market the interest rate for a company such as Republic would be some where around 4 1/4% which could be issued based on their own credit rating coupled with their reputation they could borrow at that rate. The companies in the First Tier less than 3,000 employees would perhaps have to borrow at 4 1/2%, however they would have to secure a letter of credit from a major bank or an insurance company to achieve that market access. The idea of this program was to help preserve the availability of access to capital for smaller companies and in the end promote competition in the market place.

Mike La Pierre representing CSCDA

Mr. LaPierre requested clarification of the CDLAC compliance monitoring process as to the terms and conditions.

Joanie Jones Kelly response

The compliance monitoring Procedures were not included in the proposed changes only clean up language related to Compliance monitoring. Staff can only address those items that were included in the proposed changes. However all suggestions were noted and will be reviewed the next time CDLAC proposes changes to the Procedures, probably next year.

C. Section 12 (I) (II). Transfers of Allocation

Transfer of Allocation – Clarification of the role of the Joint Power Authority (JPA) in the Single Family Housing Program, Page 21-22 CDLAC Procedures.

Comments: Three letters of opposition were received from CRHMFA and two rural counties. The major issue identified is the ability of joint power agencies (JPA) to request allocation independent of a local government agency. The CDLAC Procedures require that a JPA must act on behalf of a local government agency. The JPA provides CDLAC a delegation letter from the local authority granting the JPA their Fair Share housing Allocation. The benefit to the local agency is that the JPA is able to pool their allocation authority to issue bonds for several local agencies providing a cost savings to the participants. The issue of conflict if the local agency maintains their Fair Share allocation for their program; then is it fair for that agency to access the JPA program receiving more than their Fair Share allocation.

CRHMFA has offered a compromise to their delegation issue and is now requesting that CDLAC allow the JPA 90-days after the issuance of bonds, if the proceeds have not been used by the local agencies providing the delegation authority, to offer bond financing to all members of the JPA whether or not they provided their Fair Share allocation. Staff response is that when an Application is submitted to CDLAC the Project Sponsor identifies a pipeline of demand for the allocation being requested. If the allocation can not be used within the 90-day period it can be assumed the Project Sponsor requested more allocation than needed. CDLAC's goal is to insure that the allocation is used to provide the greatest public benefits therefore given the limited supply of allocation it is important that allocation not be awarded until the Project Sponsor can guarantee its use.

Staff Recommendation: The proposed Procedure change be approved as submitted thus ensuring that all local issuers adhere to the same rules.

The following people spoke:

Mark Lowder representing CRHMFA

Mr. Lowder spoke against the transfer of allocation requirements imposed on Issuers. The members of CRHMFA grant us the authority to originate loans outside their jurisdictions. Therefore we disagree with the need for this restriction. In addition we have offered a compromise that if the allocation was not used in the designated jurisdiction within 90 days after that period all CRHMFA members would be able to utilize the allocation to originate loans. In summary we oppose the changes to the CDLAC procedures in Section 12, Transfer of Allocation.

Treasurer Bill Lockyer

Is the issue one of jurisdiction clarification that the locals may want to come to this Committee and request their share of allocation?

Mark Lowder

No the issue is that we have regular members and associate members some give CRHMFA allocation some don't but we operate in all the jurisdictions. If you are part of CRHMFA you can participate in our program whether or not you designate allocation.

Joanie Jones Kelly

The issue is one of delegation. If a local entity wants this JPA to issue on their behalf then they should provide CRHMFA with their fair share delegation. They have the option to participate in CRHMFA or use their fair share for their local program. CDLAC is concerned about the ability to use the delegation for their local program and to also participate in CRHMFA by using someone else allocation, they are double dipping so to speak.

Mark Lowder

We really just don't agree with that concept of double dipping. Allocation is going to be used either by the local or by the state agency. In our JPA you contribute knowing that your allocation can be used anywhere so that essentially is our position.

Theresa Parker

Under full disclosure there have been times when you have not been able to use all of your allocation and you have come and asked CALHFA to essentially use the allocation so it is not lost. I think that should be taken into consideration about whether or not you always use all your allocation.

Mark Lowder

This demonstrates our willingness to use all our allocation and further underscores the reason we really should not limit allocation in any way by jurisdiction.

Treasurer Bill Lockyer

My observation after a brief time of looking at these issues is there are continuing values in some of the pooling arrangements that the JPA's provide and there seem to me to be excessive business practices by some JPA's. As a general matter I think what staff has been trying to do, at my direction, is to try and tighten these things up and that's what we are talking about. Not specifically CRHMFA but with a variety of JPA's circumstances I think there are abuses that need to be addressed.

Mark Hyatt

Staff has explained that the comments that were not directed at these Procedure changes would be

considered at a later date, I just wanted to know if that means this time next year or in a meeting or two?

Joanie Jones Kelly

That depends on what we hear from our users.

David O'Toole moved approval of staff's recommendation. Upon a second, the item passed 3-0 with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

D. Section 20. Allocation System for Small-Issue Industrial Development Bond Projects

Allocation System for Industrial Development Bond (IDB) projects – Allows the Committee to award an Industrial Development Bond allocation to the California Industrial Development Financing Advisory Commission (CIDFAC) for the purpose of allocating portions of the award to Project Sponsors for purposes of issuing bonds.

Page 43 CDLAC Procedures.

Comments: Two letters of support were received and no letters of opposition. The rationale for providing the Small Issue Industrial Development Bond award of allocation is to allow Borrowers to receive their allocation and financing approval simultaneously to expedite the approval process.

Staff Recommendation: The proposed Procedure change be approved as submitted to provide the Small Issue Industrial Development Bond award of allocation to CIDFAC.

There were no public comments.

David O'Toole moved approval of staff's recommendation. Upon a second, the item passed with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

E. Section 21. Allocation System for Exempt Facility Projects

Allocation System for Exempt Facility Projects – Allows the Committee to award an Exempt Facility allocation to the California Pollution Control Financing Authority (CPCFA) for the purpose of allocating portions of the award to Project Sponsors for purposes of issuing bonds.
Page 51 CDLAC Procedures.

Comments: A total of eight support letters were received and four (4) letters of opposition for this proposal. The rationale for this proposal is twofold; first to allow Borrowers to receive their allocation and financing approval simultaneously to expedite the approval process, and secondly to allow for a policy that is environmentally friendly regarding Exempt Facility projects. Currently when Exempt Facility projects introduce new technology CPCFA is the agency designated by CDLAC to provide a policy review to ensure all issuers are adhering to the same guidelines. CPCFA because of staff expertise is the more appropriate agency to provide that guidance.

The major concern identified by those opposed to CPCFA receiving an Exempt Facility award of allocation is the method of distribution of the allocation. Staff is proposing development of a "Process Plan" which will detail how CPCFA will award the Exempt Facility allocation. Staff proposes to present the plan to this Committee for approval at the February CDLAC meeting. As with any staff proposal the staff report will be posted for review by interested parties prior to the February meeting to allow for comments.

Staff Recommendation: Staff recommends immediate approval to allow CPCFA to receive an award of Exempt Facility allocation; and that the "Process Plan" for providing that allocation be presented to the Committee for approval at the February CDLAC meeting.

RECOMMENDATION:

Approve the proposed Procedures as outlined and recommended by staff in this summary.

Paula Connors, Executive Director, CEDA

CEDA has questions regarding the exempt facility allocation. If an exempt project came to CEDA for issuance, who would approve the project CDLAC or CPCFA.

Joanie Jones Kelly

CDLAC did review your comments and as a result we clarified the language. The concern raised by CEDA was addressed in the staff report. CPCFA will only provide allocation to project sponsors. Issuers such as CEDA will continue to come to CDLAC for allocation.

Paula Connors

If CPCFA receives all the exempt facility allocation that would require that all project sponsors to go to CPCFA.

Joanie Jones Kelly

The exempt facility proposal presented today states that CPCFA would receive a portion of the exempt facility allocation.

Treasurer Bill Lockyer

The remaining question I have is to what extent should the exempt facility pool be allocated to CPCFA. I think it should be allocated to CPCFA. We are increasingly having legislative direction to enforce AB 32 and pollution control emission laws it is important that we have some coherent policies and strategies to implement those goals. In addition there has been a study of JPA's which discovered their lack of transparency. They are using allocation not reporting if there are profits and to whom the profits are going. The JPA's refuse to answer that question when they are using public tax-exempt financing. I think they have an obligation to make those disclosures. I am not directing these comments at you I have only heard general comments and seen the draft that the Senate Office of Research has done. The goal is not to be more restrictive but more explicit.

Paula Connors

The other issue I want to raise is CIDFAC and why we have a CIDFAC review. I understand the genesis of CIDFAC why the CIDFAC statute was passed. I would urge you to look at the role of CIDFAC and whether it is necessary at this time.

Marc Aprea

Regarding the authority for allocation to be shifted over to CPCFA, we do not have concerns with the policy but look forward to understanding the process. We want to understand how the amount of allocation transferred to CPCFA will be determined, and how it will be awarded to projects.

Robert Feyer, Orrick, Herrington & Sutcliffe

Spoke in favor of transferring allocation to CPCFA.

John Stoecker, Financial Advisor, California Municipal Finance Authority

Stated that CMFA came into the market in 2004 because borrowers told us that they had a need and had been looking for other options. CMFA has been entirely transparent and we have provided financials as requested and we are willing to show anyone anything they want to see. We serve the borrower who provides the public benefit whether you prefer AB32 or the State has any policy decisions we are fully in support of that. We just ask that you let us participate and let us provide the Project Sponsors the ability to create the public benefit.

To make sure that we are slaying the right dragons, the proposal from staff is to authorize the transfer of some allocation to the California Pollution Financing Authority. It doesn't say how that is to be determined but we think if they got allocation it would be a recommendation with existing rules and it doesn't say how much which is to be determined in some subsequent meeting and in some way but to authorize transfer and that's it because none of the other issues are before us.

Vince Brown stated that he supports the idea of the one stop shopping. He stated that he does think it creates some efficiencies and makes things run a little bit smoother, however, we are concerned about adopting the policy before you have adopted the process plan so on that basis we are going to abstain today.

David O'Toole moved approval of staff's recommendation. Upon a second, the item passed 2-0 with the following vote: David O'Toole: Aye; Treasurer Bill Lockyer: Aye; Vince Brown: abstained.

Joanie Jones Kelly asked that the Committee approve all of the procedural changes that may not have been specifically mentioned.

David O'Toole moved approval of the recommendation. Upon a second, the motion passed 3-0 with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye.

Consideration of Staff's Proposed Revisions to the Procedures of the California Debt Limit Allocation Committee (the Procedures)—The Student Loan Program and Approval to Disseminate Proposed Revisions for a Public Comment Period (Agenda Item 12) (Action Item) Staff – Brady Hill

Analyst Brady Hill stated the following:

Staff recommends approval of the draft Student Loan Procedures to post to the California Debt Limit Allocation (CDLAC) website.

Staff also recommends technical changes and clean-up language to the existing CDLAC Student Loan procedures. These changes are recommended to achieve the following goals for the Student Loan program:

- **Predictability:** Streamline and simplify the allocation process to enable the Applicant to plan for the academic school year by providing a predictable allocation award process.
- **Fairness/Objectivity:** Establish an objective and fair process that will mirror the procedures for other CDLAC allocation awards. The proposed process will be transparent so as to allow the Applicant to Self-Score their CDLAC application.
- **Public Benefit:** Create a process that focuses on the creation of public benefits. The major benefit identified is the reduction in borrowing costs for students enrolled in California colleges and universities. The proposed Procedures establish an allocation priority for Applicants that lower the cost of student loans.

The Proposed Procedures would enhance threshold requirements by implementing the following change:

- In order to receive a student loan allocation the Applicant would be required to provide the federal STUDENT MARKET MEASURE Standard Report 10D, (or other source deemed by the Executive Director to be accurate) to validate the number of student loans their agency made to students in California. This requirement is intended to insure that the allocation is granted to an Applicant who participates in the California Student Loan Market and that the Applicant has demonstrated the ability to utilize the allocation requested.

The proposed Procedures would include the following changes to the evaluation criteria:

a. The Applicant's pro-rata share of the Student Loan Program allocation will in part be determined by the total dollar amount of student loans originated in California as documented in the STUDENT MARKET MEASURE Standard Report 10 D (or other sources deemed to be accurate by the Executive Director).

b. The Applicant will be required to provide the actual interest rates that students will have to pay when they enter repayment on loans made in the academic year. The actual interest rate information will be compared to the interest rates the Applicant proposed in their most recent application. Based on the Committee's analysis and assessment, an Applicant could be rewarded and/or penalized based on whether or not they met their loan cost projections.

COMMENTS: In developing the proposed Student Loan Procedures staff met with both All Student Loan and EFSI and received comments and suggestions from both agencies. Both agencies support the proposed changes in concept but will provide additional comments during the 30-day public comment period.

RECOMMENDATION: Approve the distribution of revised draft Student Loan Procedures for a 30-day public comment period.

David O'Toole moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following vote: David O'Toole: Aye; Vince Brown: Aye; Treasurer Bill Lockyer: Aye

Public Comment (Agenda Item 13)

There was no public comment.

Adjournment (Agenda Item 14)

The meeting adjourned at 3:15 p.m.