

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

September 22, 2010

Staff Report

**REQUEST FOR AN AWARD OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
RECOVERY ZONE FACILITY BOND RE-ALLOCATION**

Prepared by: Brady Hill

Applicant:

California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$250,000,000

Project Information:

Project Name: Chevron U.S.A. Inc. Project
Project Address: 324 W. El Segundo Boulevard
Project City, County, Zip Code: El Segundo, Los Angeles, 90245

Qualified Business Information:

Name: Chevron U.S.A. Inc.
Principals: John S. Watson, George L. Kirkland, Lydia I. Beebe, John E. Bethancourt, Pierre R. Breber, John D. Gass, Matthew J. Foehr, Joe W. Laymon, John W. McDonald, R. Hewitt Pate, Joffrey R. Pryor, Thomas R. Schuttish, Paul K. Siegele, Charles A. Taylor, Michael K. Wirth, Patricia E. Yarrington and Rhonda I. Zygocki

Project Financing Information:

Bond Counsel: Fulbright & Jaworski LLP
Underwriter: Bank of America Merrill Lynch
Private Placement Purchaser: Bank of America Merrill Lynch
TEFRA Hearing: June 15, 2010
Adoption of Recovery Zone Designation Date: January 26, 2010

Description of Proposed Project:

The Chevron U.S.A. Project will be comprised of major rehabilitation and improvements to the Chevron El Segundo Refinery, which will result in incremental employment for the greater Los Angeles area. Improvements to the Refinery will also enhance the operational efficiency of the Refinery relative to competitors, which will aid employee retention levels into the future. Lastly, the refinery upgrades will bolster fuel supply for California in a cost-effective fashion.

Principal production: Refining of Petroleum into fuel
Number of jobs created: 0
Jobs-to-bond ratio: N/A
Estimated total development cost: \$250,000,000

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: 7 out of 100

Recommendation:

Staff recommends that the Committee approve \$250,000,000 in Recovery Zone Facility Bond re-allocation.

DETAILS OF PROJECT FINANCING:

• *Sources of Funds:*

Tax-Exempt Bond Proceeds	\$ 250,000,000
Total Sources	\$ 250,000,000

• *Uses of Funds:*

Rehabilitation of Existing Refinery Operations	\$ 250,000,000
Total Uses	\$ 250,000,000

JOB CREATION:

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

	Jobs Created
Management	0
Skilled/Semi-Skilled	0
Unskilled	0
Total	0

- *Total Jobs/Allocation Ratio:* N/A

COMMENTS:

It is important to note that the Chevron U.S.A will provide public benefit that can not be captured according to the to the CDLAC Evaluation Criteria. The Chevron Corporation provides a competitive Medical, Vision and Dental Benefit Package. However, due to the considerable size of the Corporation, it is untenable for them to provide total monthly net medical, dental, vision and child care costs paid per employee as required by the CDLAC Evaluation Criteria. In addition, the Project will provide energy efficiency that can not be measured according to the CDLAC Evaluation Criteria. Unlike conventional means of electricity production, the Company's cogeneration system will require 22% less Million Btu than the current system to produce 50 MWH of electricity. Also, the use of electricity from cogeneration has typically been 65% efficient compared to the 41% efficiency of Grid electricity.

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed	Points Scored
Community Economic Need:		
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 (N/A)	25	0
Welfare to Work Program Participation	5	0
Employee Benefits	5	0
Average Hourly Wage	5	0
Land Use	6	0
Transit Corridor	7	7
Energy Efficiency	7	0
Leveraging	15	0
Total Points	100	7