



CALIFORNIA STATE  
**PUBLIC WORKS BOARD**

ARNOLD SCHWARZENEGGER, GOVERNOR

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STATE PUBLIC WORKS BOARD  
November 9, 2009

**MINUTES**

**PRESENT:**

Mr. Michael C. Genest, Director, Department of Finance  
Ms. Ann Barsotti, Deputy Director, Department of Transportation  
Mr. Jim Lombard, Deputy Controller, State Controller  
Mr. Francisco LuJano, Director Securities Management, State Treasurer's Office

**STAFF PRESENT:**

Greg Rogers, Administrative Secretary  
Nathan Brady, Assistant Administrative Secretary  
Theresa Gunn, Assistant Administrative Secretary  
Chris Lief, Assistant Administrative Secretary  
Madelynn McClain, Budget Analyst  
Andrew Ruppenstein, Budget Analyst  
Matthew Schuller, Budget Analyst  
Deborah Cregger, Staff Counsel  
Aurelia Bethea, Executive Secretary

**CALL TO ORDER AND ROLL CALL:**

Mr. Michael C. Genest, Chair of the Board and Director of the Department of Finance, called the meeting to order at 10:00 a.m. Mr. Greg Rogers, Administrative Secretary for the Board, called the roll. A quorum was established.

**BOND ITEMS:**

There were two bond items on this month's agenda. The bond items are related to the authorization of the State Public Works Board 2009 Series I and J bonds. To address potential questions the Board may have had present were: board staff, staff counsel, and bond counsel, Bob Whalen of Stradling, Yocca, Carlson, and Roth.

Ms. Gunn, Assistant Administrative Secretary of the Board, presented each Bond Item to the Board. Ms. Gunn stated that the bonds, if approved, would be priced on November 18, and 19, and close on December 1. The total bond issuance was estimated to be approximately \$1.273 billion and the proceeds would fund 12 Public Works Board projects for seven departments.

**Bond Item #1:** Ms. Gunn began by resolving the question published in the meeting notice regarding a potential Board Lease revenue Bond – 2009 Series K. The working group for the sale determined that the Veteran’s Projects did not need to be isolated into its own series. Therefore, the staff analysis was reflective of only presenting and selling a 2009 Series I bond. Given this, if the Resolution for this Bond Item were adopted, it would authorize the sale of only the Board’s Lease Revenue Bonds–2009 Series I, Various Capital Projects, which may be sold as a single series or in two subseries and may include tax exempt bonds or federally taxable Build America Bonds.

The following Public Works Board projects were included in Series I:

1. Judicial Council — Fourth Appellate District Courthouse (project cost: \$27.7 million)
2. Department of General Services — Library and Courts Building Renovation (project cost: \$65.5m )
3. California Conservation Corps — Tahoe Base Center Relocation (project cost: \$25m)
4. Department of Forestry and Fire Protection — Twaine Harte Forest Fire Station Replacement (project cost: \$3.9m)
5. Department of Forestry and Fire Protection — Pacheco Forest Fire Station Relocation (project cost: \$2.7m)
6. Department of Corrections and Rehabilitation— California Correctional Center, Susanville Wastewater Treatment Plant Modifications (project cost: \$32.2m)
7. Department of Corrections and Rehabilitation— Chuckawalla Valley State Prison Wastewater Treatment Plant Improvements (project cost:\$27.3m)
8. Department of Corrections and Rehabilitation— Folsom State Prison Convert Officer and Guards Building to Office Space (project cost: \$7.8m)
9. Department of Corrections and Rehabilitation— San Quentin Condemned Inmate Complex (project cost: \$356m)
10. Department of Veteran Affairs — Fresno Veterans Home (project cost: \$158.6m)
11. Department of Veteran Affairs — Redding Veterans Home (project cost: \$88m)

Adoption of the Resolution for Bond Item #1 would approve the form of and authorize the execution of: a Supplemental Indenture to the Board’s Master Indenture, a Site Lease and Facility Lease for each project, a Continuing Disclosure Agreement; and would authorize the delivery of a Preliminary Official Statement and an Official Statement, as well as other related actions in connection with the issuance, sale and delivery of said revenue bonds. The estimated PAR value of the 2009 Series I bonds is \$1.1 billion, with a not to exceed PAR of \$1.6 billion and a not to exceed true interest cost of 10.00 percent. While the not to exceed true interest cost appears to be rather high, staff rely on the expertise of the State Treasurer’s Office for this number and they have assured staff that this is a reasonable number.

Mr. Genest asked why true interest cost cap, of 10 percent was so high. Julie Giordano of the Treasurer’s Office explained that the 10 percent true interest rate was based upon the assumption that the entire transaction will be sold as a taxable transaction which will not likely be the case.

**There were no further or comments or questions from the Board or the public.**

**A motion was made by Mr. LuJano and Second by Mr. Lombard to adopt staff recommendations for Bond Item #1. Bond Item #1 was approved by a 4-0 vote.**

**Bond Item #2:** If the Resolution for this Bond Item were adopted, it would authorize the sale of the Board's Lease Revenue Bonds—2009 Series J, J. Paul Leonard & Sutro Library, — San Francisco.

Ms. Gunn informed the board that Series J includes only 1 project, the J. Paul Leonard and Sutro Library, which is located on the campus of the California State University, San Francisco. The project cost is \$116.5 million, the not to exceed PAR is \$209 million and the not to exceed TIC is 7.75 percent.

Adoption of the Resolution for Bond Item #2 would approve the form of and authorize the execution of: a Supplemental Indenture to the Board's Master Indenture, a Site Lease, a Facility Lease, a Continuing Disclosure Agreement; and would authorize the delivery of a Preliminary Official Statement and an Official Statement, as well as other related actions in connection with the issuance, sale and delivery of said revenue bonds. Staff recommended adoption of the Resolution and approval of Bond Item #2.

Mr. Genest asked why CSU's true interest cost at 7.75 percent so much lower than Bond Item #1. Julie Giordano stated that this transaction is not contemplated to be sold as taxable notes under the federal BABs program.

**There were no further or comments or questions from the Board or the public.**

**A motion was made by Mr. Lombard and Second by Mr. Lujano to adopt staff recommendations for Bond Item #2. Bond Item #2 was approved by a 4-0 vote.**

**NEXT MEETING:**

Mr. Rogers reported the next regular meeting was scheduled for **November 16, 2009, at 10:00 pm, at the State Capitol, in Room 113.**

There were no comments or questions from the public before adjournment.

The meeting was concluded at 10:11 a.m.