



CALIFORNIA STATE
PUBLIC WORKS BOARD

ARNOLD SCHWARZENEGGER, GOVERNOR

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STATE PUBLIC WORKS BOARD

April 5, 2010

MINUTES

PRESENT:

Ms. Cynthia Bryant, Chief Deputy Director, Department of Finance
Mr. Scott Harvey, Chief Deputy Director, Department of General Services
Mr. Martin Tuttle, Deputy Director, Department of Transportation
Mr. John Hiber, Chief Operating Officer, State Controller
Mr. Francisco Lujano, Deputy Controller, State Controller's Office

STAFF PRESENT:

Theresa Gunn, Assistant Administrative Secretary
Deborah Cregger, Staff Counsel
Aurelia Bethea, Executive Secretary

CALL TO ORDER AND ROLL CALL:

Ms. Cynthia Bryant, Chairperson of the SPWB and Chief Deputy Director of the Department of Finance, called the meeting to order at 10:00 a.m. Ms. Theresa Gunn, Assistant Administrative Secretary for the Board, called the roll. A quorum was established.

Ms. Bryant stated this was not one of our regularly scheduled meetings and this meeting was scheduled specifically to address items for the second spring bond sale. Therefore, the only items for discussion at this meeting were three bond items.

BOND ITEMS:

Before presenting the bond items to the Board, Ms. Gunn gave a brief overview of the bonds and some common information. These bond items represented the second of two spring sales for the Board. If they were approved, the bonds would be priced the week of April 12th, and close a week later. The total bond issuance was estimated to be \$445.4 million and the proceeds would fund two California State University projects at two campuses and six University of California projects at five campuses.

The bond documents contain some new information and features. Because of the current lack of available interim financing, we are faced with having to issue bonds earlier in a projects development in order to allow projects to move forward. Therefore, a new construction risk section has been included in the Preliminary Official Statement to address the fact that the projects are not yet in construction. While staff has worked with University staff to ensure our project estimates are as accurate as can be, most of the forms of Facility Lease and Supplemental Indenture have some new features to afford flexibility should one or more projects have unanticipated cost overruns or savings. These features include a streamlined methodology to reduce or increase base rental for a project should there be a cost reduction due to project savings or cost overruns and a methodology to add one or more new projects to be financed with the Bonds should there be a significant enough cost reduction to a project or projects.

Mr. Harvey asked what happens in the event that the projects experience cost overruns?

Ms. Gunn answered that construction reserves have been built to protect us in case there are costs overruns. Each project is analyzed assuming certain cost increases that we might experience and build those into a construction reserve within the Boards augmentation authority.

Bond Item #1 If approved, would authorize the State Public Works Board 2010 Series B Bonds to fund two California State University Projects at two campuses.

The total 2010 Series B bond issuance was estimated to be \$180.6 million and the proceeds would fund the Classroom and Faculty Office Renovation project at the Channel Islands campus and the Center for Science project at the San Luis Obispo, CalPoly campus.

Approval and adoption of the Resolution for Bond Item #1 will authorize the issuance and sale of the State Public Works Board 2010 Series B bonds for the projects and would authorize the State Treasurer to sell the bonds as a single series of tax-exempt bonds or in two subseries that may include tax-exempt and federally taxable Build America Bonds. The Resolution will also approve the form of and authorize the execution of: the ninety-ninth Supplemental Indenture to the Board's Master Indenture, Site Leases and Facility Leases, and a Continuing Disclosure Agreement; further, it will 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 2010 Series B bonds is \$180.6 million, with a not to exceed PAR of \$223 million and a not to exceed True Interest Cost (TIC) of 8.50%. Staff recommended adoption of the Resolution and approval of Bond Item #1. There were no further questions or comments from the Board or the public.

A motion was made by Mr. Lombard and Second by Mr. Tuttle to approve and adopt the Resolution for Bond Item 1. Bond Item # 1 was approved by a 5-0 vote.

Bond Item #2 If approved, would authorize the State Public Works Board 2010 Series C Bonds to fund five University of California (UC) Projects at five campuses.

The total 2010 Series C bond issuance was estimated to be \$215.4 million and the proceeds would fund the following projects:

1. A portion of the Biomedical and Health Sciences Building, on the Berkeley campus, utilizing a space lease at an estimated cost of \$52.7 million;
2. The Veterinary Medicine 3B building on the Davis campus at an estimated cost of \$64.7 million;

3. The Hershey Hall Seismic Renovation on the LA campus at an estimated cost of \$23.1 million;
4. The Management School Facility building on the San Diego campus at an estimated cost of \$26.1 million; and
5. The Arts Building Renewal on the Santa Barbara campus at an estimated cost of 21.4 million.

Approval and adoption of the Resolution for Bond Item #2 will authorize the issuance and sale of the State Public Works Board 2010 Series C bonds for the projects and would authorize the State Treasurer to sell the bonds as a single series of tax-exempt bonds or in two subseries that may include tax-exempt and federally taxable Build America Bonds. The Resolution will also approve the form of and authorize the execution of: the one-hundredth Supplemental Indenture to the Board's Master Indenture, Site Leases and Facility Leases, Space lease and Facility space lease, and a Continuing Disclosure Agreement; further, it will 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. In addition, it will adopt and ratify the finding by staff made on or about March 2009 that the Regents complete funding plan for the full build-out of the Biomedical and Health Sciences Building is sufficient and that the Bonds may be used in conjunction with the other funding sources in The Regents funding plan. The estimated PAR value of the 2010 Series C bonds was \$215.4 million, with a not to exceed PAR of \$254 million and a not to exceed TIC of 7.50%. Staff recommended adoption of the Resolution and approval of Bond Item #2.

Mr. Harvey asked if there are additional funding sources for the UC projects. Ms. Gunn stated the other funding sources are a mix between campus cash, gift donations, and sometimes revenue bonds that the university issues. There were no further questions or comments from the Board or the public.

A motion was made by Mr. Lombard and Second by Mr. Tuttle to approve and adopt the Resolution for Bond Item 2. Bond Item # 2 was approved by a 5-0 vote.

Bond Item #3 if approved, would authorize the State Public Works Board 2010 Series D Bonds to fund a portion of the Helios Energy Research Facility project on the Berkeley campus.

The total 2010 Series D bond issuance was estimated to be \$49.4 million. These bonds were expected to be sold as federally taxable bonds and, if approved, will be the first federally taxable bonds this Board will issue. These bonds needed to be sold as federally taxable bonds because of the operating agreement the University of California entered into with British Petroleum. The operating agreement, which is a ten year agreement, provides British Petroleum the first right of refusal to purchase any products generated from the research conducted in the Helios Energy Research Facility. This by itself would not cause concern, however, the agreement further stipulates that the products would be purchased at fair market value but include a not-to-exceed amount that British Petroleum would need to pay. The not-to-exceed amount, in essence capping what they would have to pay for the research product, was what requires the issuance of federally taxable bonds. In addition, the space allocated to the Board in this project for the next several years may be used for more than just governmental purposes, which could result in the need for issuing federally taxable bonds.

A further fact of this project is that the total cost of the building is approximately \$143.8 million, with the board providing \$40 million from the proceeds of the 2010D bonds. The Regents of the University of California plan to finance through general revenue bonds of The Regents approximately \$98 million with the remaining funds coming from campus cash or gift donations. The \$98 million general revenue bonds have not been sold and The Regents plan to sell commercial paper (CP) as needed on a cash flow basis during the construction of the project. Further, The Regents will certify to selling the CP on the cash flow basis provided to Board staff

in the closing documents and to pro-rate the cash needs between the three different funding sources for the project, i.e. Board bonds, Regents CP, and campus cash/gifts.

Approval and adoption of the Resolution for Bond Item #3 will authorize the issuance and sale of the State Public Works Board 2010 Series D bonds for the Helios Energy Research Facility project and would authorize the State Treasurer to sell the bonds as federally taxable. The Resolution will also approve the form of and authorize the execution of: the one-hundred-first Supplemental Indenture to the Board's Master Indenture, a Space Lease and Facility space Lease, and a Continuing Disclosure Agreement. Further, it will 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 2010 Series D federally taxable bonds was \$49.4 million, with a not to exceed PAR of \$60 million and a not to exceed TIC of 8.50%. Staff recommended adoption of the Resolution and approval of Bond Item #3.

Mr. Harvey inquired as to whether or not British Petroleum was contributing to the project construction cost. Ms. Gunn stated British Petroleum will be providing a \$500 million contract over the 10 years with \$50 million a year going towards operating cost but not specifically towards the construction. She also informed the Board that Ms. Carol Moore from the Berkeley campus was available to address questions the board might have had regarding the project. Mr. Harvey asked what is the expected research coming out of this facility. Ms. Moore stated in general it is in the area of energy bioscience which is a new field aimed in the near term at transportation fuels - alternative fuels. Mr. Harvey also inquired to who would normally own the research products. Ms. Moore stated that BP would have the first right of refusal to purchase the option to license the research results. There were no further questions.

A motion was made by Mr. Harvey and Second by Mr. Lombard to approve and adopt the Resolution for Bond Item 3. Bond Item # 3 was approved by a 5-0 vote.

NEXT MEETING:

The next meeting Public Works Board meeting is scheduled for April 12, 2010, at 10:00 am, at the State Capitol, in Room 113.

There were no comments or questions from the public.

The meeting was concluded at 10:15am.