



CALIFORNIA STATE
PUBLIC WORKS BOARD

ARNOLD SCHWARZENEGGER, GOVERNOR

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STATE PUBLIC WORKS BOARD
July 12, 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. Jim Lombard, Deputy State Controller, State Controller's Office
Mr. Francisco Lujano, Deputy Treasurer, State Treasurer's Office

STAFF PRESENT:

Greg Rogers, Administrative Secretary
Brian Dewey, Assistant Administrative Secretary
Chris Lief, Assistant Administrative Secretary
Deborah Cregger, Staff Counsel
Shryl Thomas, Budget Analyst
Stephen Benson, Budget Analyst
Natalie Daniel, Budget Analyst
Madelynn McClain, Budget Analyst
Carlos Ochoa, Budget Analyst
Andrew Ruppenstein, Budget Analyst
Lucinda Winward, Budget Analyst
Aurelia Bethea, Executive Secretary
Cynthia Munoz, Executive Assistant

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. Mr. Greg Rogers, Administrative Secretary for the Board, called the roll. A quorum was established.

The first order of business was approval and adoption of the Minutes from June 14, 2010.

A motion was made by Mr. Harvey and Second by Mr. Lombard to approve and adopt the minutes from the June 14, 2010 meeting. The minutes were approved by a 5-0 vote.

BOND ITEMS:

Mr. Rogers reported there was one bond item for consideration this month. Bond Item #1 was to authorize staff actions to seek a closing agreement under the tax-exempt bonds Voluntary Closing Agreement Program with the IRS with respect to certain maturities of the Boards' 1998 Series A Department of Justice and the 1998 Series A Franchise Tax Board bonds.

Mr. Rogers stated upon satisfaction of certain conditions, Government Code section 14670.13 authorizes the Department of General Services ("DGS") to enter into a sale or long-term lease for eleven specified state-owned properties, including the Franchise Tax Board Complex and the Attorney General Building in Sacramento. These two facilities were financed in whole or in part by the Board's Lease Revenue Refunding Bonds and a portion of each such issue of Bonds remain outstanding. Accordingly, DGS cannot sell these facilities until the Board causes such outstanding bonds to be defeased. During the review of the bond documents in preparation to defease the outstanding bonds tax counsel (Orrick, Herrington and Sutcliffe) identified a problem related to defeasing certain maturities of such bonds (the "Subject Bonds") related to private use.

Mr. Rogers stated that in order to sufficiently remediate the potential private use concern, tax counsel advised the Board approach the IRS with the facts and circumstances of this situation under the IRS's Voluntary Closing Agreement Program (VCAP). Tax counsel has had preliminary contact with the IRS and believes that seeking a closing agreement under the VCAP program is the most viable option to remediate this private use tax concern. A condition of the closing agreement with the IRS will likely be payment of certain penalties related to the change in use. Such penalties would be paid from proceeds of the sale of the facilities. Tax counsel has begun drafting the necessary documentation requesting IRS intervention on this matter; however, it is not known how long the process will take.

Mr. Lombard raised a question on AB 2605 on whether DGS would have to conduct a feasibility study. Mr. Rogers stated before the item is brought before the Board for approval General Services has to provide a notice requirement to the Legislature so the Board will be requested to make a decision 30 days after the legislature was notified, and was unsure if DGS would provide a feasibility study with its legislative notification.

Mr. Lombard raised the question to Mr. Harvey and Mr. Harvey replied that the Department will perform the proper due diligence that will include an analysis.

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

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

CONSENT ITEMS:

Mr. Rogers reported the Consent Calendar consisted of Items #1 through #17. In summary these items proposed:

- 1 request to accept real property through the transfer of title [Item # 1]
- 1 request to recognize a scope change [Item #2]
- 1 request to authorize site selection [Item #3]
- 3 requests to establish scope, cost, and schedule [Items 4, 5, and 6]
- 3 request to approve preliminary plans [Item 7, 16, and 17]
- 3 request to approve an augmentation [Item 8, 10, 11]
- 1 request to recognize a scope change [Item 9]
- 2 request to recognize revised project costs [Item 12, 13]
- 2 request to approve preliminary plans and recognize revised project costs [Item 14, 15]

There were six legislative notification letters associated with the Consent Calendar and staff received no adverse comments on any of the six letters.

In summary: Staff recommended approval of the Consent Calendar consisting of Consent Items #1 through #17

Mr. Harvey questioned as to why Item number 2 is listed as scope change, rather than a new project since nothing has been started on the project. Mr. Rogers informed Mr. Harvey that the project was established in 2007; therefore the scope was recognized at that time. The significant change with Madera is how they intend to address the parking need. The prior scope had assumed all surface parking and now a parking structure will be constructed. This is the reason for the scope change as it varies significantly from what was previously recognized by the Legislature. Mr. Harvey asked why didn't we just amend the old CEQA, why did we do a brand new CEQA? Giselle Corey from the AOC stated that the CEQA has been completed as of July 1 and the additional CEQA review has been completed. Mr. Harvey adds that he has no problem with the project; he is just trying to understand why it was being called a scope change. Mr. Rogers said he would look into the matter further.

Mr. Tuttle asked what would be the next Board action for Item #3 regarding the site selection authorization. Mr. Roger's replied that back in May, Redding came forward with a different site and that site ended-up not meeting their needs, so now the Board is authorizing another site, two adjacent sites, to build a new courthouse in Redding. The next Board action related to this project would be for the Board to authorize acquisition. Mr. Tuttle requested for a parcel map or due diligence for this project.

A motion was made by Mr. Tuttle and Second by Mr. Harvey to approve Consent Items #1 through #17. The Consent Items were approved by a 5-0 vote.

ACTION ITEMS:

Ms. Bryant stated there were no Action Items on this month's calendar

OTHER BUSINESS:

Ms. Bryant stated there was no Other Business on this month's calendar.

REPORTABLES:

There are 2 items that were approved by staff under the authority delegated by the Board. Both items are reversion of project savings. The first one is Department of Corrections Substance Abuse Treatment Facility in Kings County for \$3.7 million and another with Department of Corrections State Prison in Corcoran for \$16 million. Mr. Harvey asked were the reversions due to the bids coming in low. Mr. Lief, staff to the Board, stated that these two reversions are for projects that were completed a while ago and this is a cleanup action to get them off the books. No further questions were asked.

NEXT MEETING:

The next meeting Public Works Board meeting is scheduled for August 16, 2010, at 10:00 am, at the State Capitol, in Room 113. A special meeting is scheduled for August 4th, at 10:00 am in Room 113 of the State Capitol.

The meeting was concluded at 10:15 am.