



CALIFORNIA STATE
PUBLIC WORKS BOARD

EDMUND G. BROWN JR. • GOVERNOR

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STATE PUBLIC WORKS BOARD
October 13, 2011

PROPOSED MINUTES

PRESENT:

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance
Mr. Esteban Almanza, Chief Deputy Director, Department of General Services
Mr. Martin Tuttle, Deputy Director, Department of Transportation
Mr. Jim Lombard, Chief Administrative Officer, State Controller's Office
Mr. Francisco Lujano, Director, Securities Management, State Treasurer's Office

STAFF PRESENT:

Greg Rogers, Administrative Secretary
Theresa Gunn, Assistant Administrative Secretary
Brian Dewey, Assistant Administrative Secretary
Stephen Benson, Budget Analyst
Madelynn McClain, Budget Analyst
Andrew Ruppenstein, Budget Analyst
Natalie Daniel, Budget Analyst

CALL TO ORDER AND ROLL CALL:

Mr. Pedro Reyes, Chairperson of the Board and Chief Deputy of the Department of Finance, called the meeting to order at 10:02 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 both the September 9, 2011 and September 28, 2011 meetings. Mr. Rogers reported staff had reviewed the minutes for both meetings and recommend approval and adoption of the minutes.

A motion was made by Mr. Almanza and seconded by Mr. Lombard to approve and adopt the minutes. The minutes were approved by a 5-0 vote.

BOND ITEMS:

Mr. Reyes noted that the next order of business was the Bond items for the Board's consideration to authorize the second bond sale this fall. Mr. Rogers reported that Ms. Theresa Gunn would present three bond items for consideration this month.

Bond Item #1

Bond Item #1 was to fund three 2011 Series D tax-exempt Judicial Council Projects:

- San Bernardino Courthouse, San Bernardino County
- Mid-County Courthouse, Riverside County
- Porterville Courthouse, Tulare County

If approved, the requested action would adopt a resolution to: 1) authorize the issuance and sale of the Bonds; 2) approve the form of and authorize the execution of the 104th Supplemental Indenture; and 3) correct a condition related to a title to the real estate on which the Judicial Council San Bernardino Courthouse will be constructed and authorize acceptance of a quit claim deed conveying a property right that had been held by the grantor of that property. The maximum par value for this series will be no more than \$600.4 million and the maximum true interest cost will not exceed 6.54 percent.

Staff recommended approval of the item and adoption of the Resolution for Bond Item #1.

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

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

Bond Item #2

Bond Item #2 was to fund two 2011 Series E federally taxable Capital Projects:

- 450 N Street Office building, Sacramento County, Department of General Services
- Patton Electrical Generator Plant Upgrade, San Bernardino County, Department of Mental Health (DMH)

The 2011 Series E Bonds are federally taxable because of issues surrounding acquisition of one project and because the Board was unable to meet the reimbursement timelines delineated in the Federal Tax Code for tax-exempt issuances of the other.

If approved, the requested action would authorize the issuance and sale of the Bonds and approve the form of and authorize the execution of the 105th Supplemental Indenture. The maximum par value for this series will be no more than \$106.9 million and the maximum true interest cost will not exceed 8.15 percent.

Due to concerns regarding the internal growth of DMH's top management, the DMH project may need to be removed from the sale, which would result in a reduction in the maximum par value amount for the 2011 Series E Capital Projects. Finance staff are currently working on this issue and plan to make a final decision next week.

Staff recommended approval of the item and adoption of the Resolution for Bond Item #2 as presented to the Board.

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

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

Bond Item #3

Bond Item #3 was to fund the 2011 Series F federally taxable Bonds, Department of Mental Health's Renovation of the Hospital Addition at Atascadero State Hospital, located in Atascadero.

The 2011 Series F Bonds are federally taxable because a portion of the renovation work has been determined by the Internal Revenue Service to not be eligible for tax-exempt financings.

If approved, the requested action would authorize the issuance and sale of the Bonds and approve the form of and authorize the execution of the 106th Supplemental Indenture, which would designate the 2011 Series F Bonds to be a Related Series of Bonds that would be secured on a parity basis with the Board's 2001A Bonds. The maximum par value for this series will be no more than \$7.7 million and the maximum true interest cost will not exceed 7.2 percent.

Ms. Gunn added that due to similar concerns with DMH as mentioned in Bond Item #2, Bond Item #3 (2011 Series F Bonds) may be removed as well.

Staff recommended approval of the item and adoption of the Resolution for Bond Item #3 as presented to the Board.

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

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

CONSENT ITEMS:

The third order of business was the Consent Items. Mr. Rogers informed the Board there were six Consent Items. In summary these items were proposed:

- 1 request to accept real property through a transfer of title [Item 1]
- 2 requests to authorize site selection [Items 2 and 3]
- 1 request to recognize revised project costs [Item 4]
- 1 request to consent to a ground lease from Shasta County to the Department of Corrections and Rehabilitation, and consent to the Department's grant of a Right of Entry for Construction and Operation to Shasta County [Item 5]
- 1 request to establish the scope, cost, and schedule [Item 6].

Mr. Rogers reported that a 30-Day Letter was submitted to the Joint Legislative Budget Committee for Consent Item 6. No concerns or response was received regarding this item.

Staff recommended approval of Consent Items 1 through 6.

Mr. Tuttle inquired about the purpose for shifting the courthouse from the county's jurisdiction to the state's jurisdiction. Mr. Rogers answered that the enactment of the Trial Court Facilities Act of 2002 (specifically pursuant to Government Code Section 70312) allowed for the state (Judicial Council) to assume responsibility of court facilities from county jurisdiction. Most of the court facility titles have already transferred to the Judicial Council.

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

A motion was made by Mr. Tuttle and seconded by Mr. Almanza to approve Consent Calendar Items 1 through 6. The Consent Items were approved by a 3-0 vote.

ACTION ITEMS:

ACTION ITEM 1: Action Item 1, the Judicial Council's New Santa Rosa Criminal Courthouse (Fleet Building/P20 Sites) in Sonoma County, considered for authorizing site selection.

Mr. Brian Dewey reported that this item was being presented as an Action Item due to the timing of the environmental clean-up of the Fleet parcel. Traditionally, the Board does not acquire property with outstanding liability. While the action of the Board is to approve the site selection, staff was made aware that the state will be responsible for clean-up activities, which will not occur until the construction phase.

Given this information, the Administrative Office of the Courts (AOC) indicated that the estimated cost to clean up the property is \$48,000 and per the Phase I and II reports, the contamination is localized to a small area underneath the existing building. It is recommended that the AOC ensure that any agreement with Sonoma County includes sufficient protections to the state in case costs exceed the estimate.

In summary, staff recommended approval of Action Item 1 with the stipulation that the AOC consult Board staff to ensure that the purchase agreement contains sufficient protections for the state and that the agreement is reviewed by Board staff prior to presenting the agreements to Sonoma County.

Mr. Reyes asked if it was known whether the contamination is still localized, especially since the state does not yet have access to the entire land. Ms. Laura Sainz, Environmental Manager for the Administrative Office of the Courts, answered that a Phase II has been completed on this site and based on the testing of soil samples from both the original area thought to be contaminated as well as areas around the site, it was identified that the contamination is at a fairly shallow level and was localized to the original detected area.

Mr. Reyes expressed concern with the possibility of finding further contamination during construction after the state's acceptance of the property and asked Ms. Sainz if insurance on behalf of Sonoma County was available to protect the state against liability. Ms. Sainz replied that the AOC will definitely discuss including insurance in negotiations with Sonoma County.

Mr. Tuttle inquired about the source of contamination and Ms. Sainz answered there were two types: 1) a historic underground storage tank, and 2) a hydraulic lift. Mr. Almanza then asked if there was a threat to groundwater. Ms. Sainz replied that the contaminants in question pose no threat to groundwater; however, there were other contaminants found in the groundwater located in the localized area and Sonoma County is working with the Board on clean-up and closure.

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

A motion was made by Mr. Tuttle and seconded by Mr. Almanza to approve Action Item 1 only with staff recommendations and assurance of the state's protection against liability. Action Item 1 was approved by a 3-0 vote.

OTHER BUSINESS

Mr. Rogers informed the Board that there were no Items under Other Business.

There were no questions or comments from the public.

The meeting was adjourned at 10:22 a.m.