

**CITY OF GARDEN GROVE**

**INTER-DEPARTMENT MEMORANDUM**

*Industrial Development Authority*

To: Matthew J. Fertal                                      From: Kingsley Okereke  
Dept: Director    Dept: Finance Department  
Subject: RECEIVE AND FILE THE                              Date: December 9, 2014  
INDUSTRIAL DEVELOPMENT  
AUTHORITY ANNUAL REPORT

OBJECTIVE

The purpose of this report is to provide the Garden Grove Industrial Development Authority (IDA) an update on the activities of the California Industrial Development Financing Advisory Commission (CIDFAC) for 2014.

BACKGROUND

In 1982, the City of Garden Grove formed the IDA. Under the State of California guidelines, the IDA acts as the official local coordinating body for low-cost development bonds for industrial companies seeking expansion. The IDA's role is to assist industrial-related businesses by facilitating their request for tax-exempt Industrial Development Bonds (IDB).

In the mid-1980s, the IDA assisted three (3) corporations. In 2000, City Council, acting as the IDA, assisted its first applicant, C&D Aerospace under a new State Industrial Development Bond Issuance Program.

The IDA can assist the issuance of tax-exempt bonds provided that the company uses the bond proceeds to:

- Foster job expansion or job development;
- Fund industrial, manufacturing, or agricultural projects that create tangible products for sale;
- Fund land, building construction, new equipment or furnishings; and
- Fund cost of architects, engineers, attorneys and permits.

DISCUSSION

Although the IDA can call a Special Meeting promptly to facilitate IDB financing, the IDA must meet yearly as stated in its By-Laws. At the annual meeting, the IDA reviews actions of the CIDFAC, which approves the issuance of IDB's and Empowerment Zone Bonds as a partner with local government, and the actions of

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the California Debt and Investment Advisory Committee (CDIAC), which provides policy guidance with respect to public debt and investment activities.

As of December 1, 2014, the CIDFAC has made no program changes. The IDA has had no request for IDB financing assistance.

FINANCIAL IMPACT

None. If an industrial company applied for IDB financing, the IDA would only act as a liaison in the State bond process. Therefore, there is no financial impact to the City.

RECOMMENDATION

Staff recommends that the IDA:

- Receive and file the 2014 update of the California Industrial Development Financing Advisory Commission and the 2014 update of the California Debt and Investment Advisory Committee.



KINGSLEY OKEREKE  
Assistant City Manager

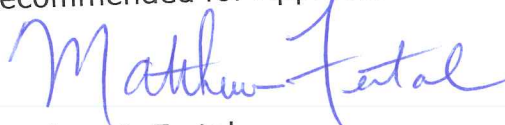


By: Jim DellaLonga  
Senior Project Manager

Attachment 1: CIDFAC Program Summary

Attachment 2: CDIAC Program Summary

Recommended for Approval



Matthew J. Fertal  
Director



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## CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

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#### Introduction

The California Debt and Investment Advisory Commission (CDIAC) provides information, education and technical assistance on debt issuance and public fund investments to local public agencies and other public finance professionals. The Commission was created in 1981 with the passage of Chapter 1088, Statutes of 1981 (Assembly Bill (AB) 1192, Costa). This legislation established the California Debt Advisory Commission as the State's clearinghouse for public debt issuance information and required it to assist state and local agencies with the monitoring, issuance and management of public debt. The Commission's name was changed to the California Debt and Investment Advisory Commission with the passage of Chapter 833, Statutes of 1996 (AB 1197, Takasugi), and its mission was expanded to cover public investments. Among other functions specified in statute, CDIAC:

- Collects information on all State and local debt issuance in California and serves as a statistical clearinghouse.
- Provides technical assistance and continuing education to state and local government officials on the practices and strategies for public debt issuance and investing public funds.
- Undertakes or commissions studies on methods to reduce the costs of debt and improve credit ratings.
- Publishes a monthly newsletter.
- Recommends legislative changes to improve the sale and servicing of state and local debt.
- Collects reports of annual fiscal status, bond reserve draws and bond defaults for Mello-Roos Community Facilities Districts and Marks-Roos Bond Pools
- Assists State financing authorities and commissions to carry out their responsibilities.

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#### The Commission Members

The Commission consists of nine members, including the State Treasurer, the Governor or the Director of Finance, the State Controller, two local government finance officials, two Assembly Members, and two Senators. The State Treasurer serves as the Chairperson and appoints the two local government officials. The Speaker of the Assembly appoints the Assembly representatives and the Senate Rules Committee appoints the Senate representatives. Appointed members serve four-year terms, or at the pleasure of their appointing power. The Commission directs the activities of the staff.

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#### Commission Meetings

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#### CDIAC Programs

In performance of its mission, CDIAC engages in a range of activities classified into three general program areas: data collection and analysis, policy research, and education.

##### Data Collection and Analysis

As the State's clearinghouse for public debt issuance information, CDIAC has compiled data on all public debt issued in California since January 1, 1982. All issuers of state and local government debt are required to report issue-specific information to CDIAC 30 days prior to the proposed sale date and again, no later than 45 days from the actual sale date. In addition, issuers of Mello-Roos and Marks-Roos debt are required to submit annual fiscal status reports to CDIAC. In total, CDIAC receives 2,500 to 4,000 individual reports annually, a range dependent on state and local issuance activity and municipal market conditions.

Data from these reports are maintained in the California Debt Issuance Database and forms the basis for the debt information and statistical analysis released by CDIAC. Details on the public debt that has been proposed for sale and debt that has been sold are published on a monthly basis in the Calendar of Debt Issuance within *Debt Line*, CDIAC's monthly newsletter. In addition, CDIAC uses the data it collects to prepare numerous reports of debt issuance trends and statistics during the year and at year-end.

##### Policy Research

CDIAC works to improve the marketability of public debt issued in California and the safety and performance of municipal investment portfolios by undertaking or commissioning studies on various aspects of the debt and investment markets, providing guidance to state and local debt issuers and investment managers, and

recommending legislative changes in matters affecting debt issuance and public funds investing.

CDIAC examines issues that are of current interest and have practical relevance to public finance officials. Typically, projects are designed to:

- Raise the general level of understanding among public issuers and investors of the key elements of debt issuance and public funds investing.
- Apprise issuers and investors of emerging trends in public finance.
- Inform local officials of financing and investing options.
- Preserve the integrity and viability of the public finance market by alerting policy makers to potential problem areas.

Research staff stays abreast of developments and events in the municipal and other financial markets and works in conjunction with the Executive Director, with input and advice from Commission members, to determine the topic areas of research and analysis. CDIAC's research draws on information from the California Debt Issuance Database, public and private experts throughout the municipal industry, public and private finance groups, periodicals and journals, and numerous public and private data sources. Research staff prepares their findings and recommendations in the forms of Issue Briefs, technical reports, guidelines, and articles for the Debt Line monthly newsletter.

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### Education

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Since 1984, CDIAC has organized educational seminars focusing on public finance matters and the debt issuance process. Public funds investment was added to the curriculum in 1996. Offered throughout the year at various locations in the State, CDIAC seminars are aimed at public finance officials and designed to:

- Introduce the basic debt and investment concepts to those new to these fields.
- Strengthen the expertise of the more experienced practitioners.
- Inform officials of current debt and investment topics arising from changing market conditions or policy considerations.
- Apprise officials of the most current best practices and guidelines for the management of public debt and investments.

CDIAC places a high priority on making its data and expertise available to public agencies in useful forms. Accessibility is the crux of its technical assistance program. In 2011, CDIAC began to make a wide array of educational programming available through webinars. The webinar format allows CDIAC to bring topical information to public agencies in a more timely and convenient fashion.

In addition to its own educational seminars and webinars, CDIAC has acted as co-sponsor of public finance-related conferences, symposia, and seminars conducted by private companies and statewide associations. These partnerships allow CDIAC to efficiently target its educational programming, increase contacts with experts from public and private sectors, and keep abreast of current matters affecting public finance.

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CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

## Program Summary

CIDFAC assists California businesses by providing access to low-cost, tax-exempt industrial development bond (IDB) financing for capital expenditures. Our program allows businesses to borrow funds at competitive rates through the issuance of tax-exempt bonds either supported by some form of credit enhancement (e.g., a bank-issued letter of credit) or placed with sophisticated investors.

### Eligible Facilities

IDBs may be used for the following types of projects:

- Industrial projects for assembling, fabricating, manufacturing or processing which create tangible products for sale
- Manufacturing projects which use recycled or reused products and materials for the creation of tangible products for sale
- Agricultural projects which process raw materials into tangible products for resale

### Eligible Uses of Bond Proceeds

- Buildings and equipment
- Machinery and furnishings
- Land
- Costs of architects, engineers, attorneys and permits
- Costs of bond issuance

### Federal Eligibility Requirements

Federal restrictions on the use of proceeds include:

- 95% of proceeds must be used for the defined IDB project.
- 2% of bond proceeds may be used for costs of issuance.
- 25% of bond proceeds may be used for land costs.
- A Tax Equity Fiscal Reform Act (TEFRA) public hearing in the community where the project is located must be held before the bonds are issued.
- To acquire an existing building, a minimum of 15% of the bond proceeds must be used to renovate the facility.
- The average life of the bond issue cannot exceed 120% of the weighted average of the estimated useful life of the assets to be financed.
- The bond maturities cannot exceed 40 years.

### Federal Restriction on Size of IDB Bond issues

Federal restriction on size of IDB issues include:

- The maximum face amount of an IDB issue cannot exceed \$10 million per applicant, per public jurisdiction.
- Total capital expenditures in the public jurisdiction where the project is located cannot exceed \$20 million during the period that runs from three years prior to issuance of the IDB through three years after issuance. The \$20 million cap includes capital expenditures financed with the IDB.
- The total outstanding IDBs by any one company cannot exceed \$40 million nationwide.

### California Eligibility Requirements

California's criteria for IDB projects are based on statutory requirements and on California Debt Limit Allocation Committee (CDLAC) public benefits guidelines. The criteria include public benefits associated with the creation or retention of jobs, participation in welfare-to-work programs, average hourly wage paid to workers and the energy efficiency characteristics of the project. Other rules establish requirements when a business relocates from one jurisdiction to another. See the [IDB application](#) and [CDLAC's regulations](#) for more information on California's eligibility requirements.

### The IDB Bond Approval and Issuance Process

In California, the IDB bond approval and issuance process includes the following steps:

- The local issuing authority initiates the IDB application process on behalf of the business.
- The local issuing authority or CIDFAC recommends a financing team, which may include an underwriter, financial advisor and trustee.
- Bond counsel conducts a preliminary analysis of the project to ensure compliance with federal tax law requirements.
- Generally, IDBs will require either a financial institution willing to issue a letter of credit for the face amount of the bonds or a qualified institutional investor who is willing to purchase the bonds.
- CIDFAC reviews the IDB application to ensure it meets eligibility requirements.
- CIDFAC staff develops for the Commission a detailed staff report on the issuer's request for Commission approval.
- Upon Commission approval and the receipt of tax-exempt allocation, the finance team, the business and CIDFAC work together to issue the IDBs.