

**County of Santa Clara**  
**Board of Supervisors**  
Supervisory District Five  
Supervisor Liz Kniss



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BOSD5-062409-02

DATE: June 24, 2009

TO: Board of Supervisors

FROM:   
Liz Kniss  
Supervisor, District 5

SUBJECT: Appointments to Santa Clara County Tobacco Securitization Corporation

**RECOMMENDED ACTION**

Appoint Mr. Pete McHugh, Milpitas City Council member, Mr. Rod Dole, current interim Director, and Supervisor Ken Yeager, Chair of the Board's Finance and Government Operations Committee as permanent Directors of the Santa Clara County Tobacco Securitization Corporation.

**REASONS FOR RECOMMENDATION**

Permanent Directors need to be appointed to the Tobacco Securitization Corporation.

The current Board of Directors were appointed as interim directors in order to initiate the Tobacco Securitization Corporation, and to expedite the financing of the tobacco securitization revenue. Current Interim Directors are Liz Kniss, Ken Yeager, and Rod Dole (independent). John Guthrie serves as the CFO of the Corporation, and the Clerk of the Board serves as Secretary to the Corporation; both are positions elected by the Directors.

Financing was completed in fiscal year 2007, permanent appointments must be made in order for the Board of Directors to carryout duties required in the bylaws.

The bylaws indicate in Article IV, Section 3, that "...directors shall be designated and appointed by the County, and one such director shall at all times be an Independent Director...". The Board of Supervisors is "the County" and must approve the appointment of the board of directors or provide delegation of authority.

## **BACKGROUND**

As a result of the tobacco securitization process, the County had to transfer the tobacco settlement revenues to an independent entity to ensure it is not subject to bankruptcy proceedings, and in Fiscal Year 2007, the Santa Clara County Tobacco Securitization Corporation, a non-profit entity, was formed.

Article IV, section 3, Articles of Incorporation state that three interim directors shall be appointed. Per this same section, the “interim directors may only perform actions necessary or appropriate to perfect the organization of this corporation (e.g. adopt bylaws, appoint officers, and select tax year) and shall be automatically removed upon the designation and appointment of directors by the County of Santa Clara (the “County”) pursuant to this Section of Article IV.”