



MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
October 9, 2012
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairman Jimenez called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:33 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

- Augustin Jimenez, represented the Secretary of the Business, Transportation and Housing Agency.
- Pedro Reyes, represented the Director of the Department of Finance.
- Francisco Lujano, represented the State Treasurer.
- Willie Armstrong, represented the Secretary of the State and Consumer Services Agency.
- D. Everett Rice, Governor's appointee.

The following I-Bank staff members were in attendance:

- Stan Hazelroth, Roma Cristia-Plant, Marilyn Munoz and Joel Tokimitsu.

2. Executive Director's Report.

Executive Director Stan Hazelroth reported to the Board the following:

- The Board member binders included a copy of the 2011-2012 I-Bank Comprehensive Annual Financial Report, that the audit was submitted on time, and that he wanted to acknowledge the outstanding work of the I-Bank's Fiscal Unit staff that includes Julie Talbot, Betty Daquioag and Tracey Thompson.
- Standard & Poor's had recently affirmed its AA+ rating of the I-Bank's Infrastructure Revolving Fund Program Bonds.
- On October 3, 2012, the I-Bank participated in rating agency presentations for the proposed Clean Water State Revolving Fund Revenue Refunding Bonds, Series 2012 and that these bonds are on today's agenda, and that the I-Bank anticipates "AAA" ratings across the board from all three rating agencies sometime around October 11th.
- The Governor signed Senate Bill 533 authored by Senator Wright on September 14th that approves an emergency apportionment loan and the financially distressed Inglewood Unified School District, and that the bill authorizes the I-Bank to issue bonds to finance an emergency apportionment for the district and/or refinance a State General Fund-financed emergency apportionment.

Consent Items:

3. Approve minutes from the meeting held on August 28, 2012.

Chairman Jimenez called for questions or comments from the Board and the public. Hearing none, he entertained a motion to approve this consent item. Mr. Lujano moved to approve the minutes and Mr. Armstrong seconded the motion. The Board approved the minutes with Mr. Reyes abstaining.

Action Items:

4. Resolution No. 12-07 approving issuance of revenue bonds in an amount not to exceed \$100 million to refund the outstanding California Infrastructure and Economic Development Bank Clean Water State Revolving Fund Revenue Bonds, Series 2002, initially issued for the benefit of the State Water Resources Control Board and originally used to finance eligible public infrastructure projects located in the State of California.

Mr. Tokimitsu presented a staff report describing the request to approve the issuance of up to \$100 million of revenue bonds to refund the outstanding California Infrastructure and Economic Development Bank Clean Water State Revolving Fund Revenue Bonds, Series 2002 initially issued for the benefit of the State Water Resources Control Board (State Water Board) and used to finance eligible public infrastructure projects located in the State. Mr. Tokimitsu stated that, if approved, the refunding is projected to achieve cost savings of approximately \$10 million and would allow for the restructuring and modernization of the Clean Water Revolving Fund (CWSRF) Program bond documents. Mr. Tokimitsu explained that the State Water Board is responsible for administering the CWSRF Program that provides low cost financing for projects that protect water quality, and that the program has been operated since 1989. He added that as of June 30, 2012, the CWSRF Program has funded approximately \$6.4 billion of loans for wastewater projects. In closing, he introduced Mr. Christopher Stevens, Senior Supervising Engineer of the State Water Board, Division of Financial Assistance, Ms. Diane Quan, Bond Counsel, and Mr. John Pirog, Disclosure Counsel both from Hawkins, Delafield and Wood, Mr. Dennis McGuire, Senior Underwriter from Piper Jaffrey and Mr. Tim O'Brien from the State Treasurer's Office.

Chairman Jimenez called for any questions or comments from the Board or the public. Mr. Christopher Stevens responded to a question posed by Mr. Reyes regarding a State Water Board resolution number not listed in the staff report and confirmed that the resolution number had not yet been assigned, that he was at the meeting at which the questioned resolution was adopted, and that I-Bank staff will be provided a certified copy of the executed resolution when it is available.

Chairman Jimenez called for any additional questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 12-07. Mr. Reyes moved to approve the resolution and Mr. Armstrong seconded the motion. The Board unanimously approved the resolution.

5. Resolution No. 12-08 recommending superseding prior I-Bank Resolution No. 11-24, which had delegated authority from the Board of Directors to the Executive Director, restating prior delegations without change and providing one additional delegation in relation to I-Bank bonds.

Ms. Munoz presented a staff report which recommended updating a prior Board delegation of authority to the Executive Director to ensure the continued timely, efficient and cost effective delivery of services to I-Bank customers. Ms. Munoz stated that staff is recommending updating the prior Executive Director delegation authority to add one new delegation to allow the Executive Director the authority to approve post-bond issuance transactions that were already contemplated in the documents associated with the original issuance of I-Bank bonds involving interest rate mode changes, mandatory tenders, conversions and the remarketing of I-Bank bonds, including those types of transactions that result in a waiver of the Bond Programs Policies and Procedures (Policy) ratings requirements. She further explained that the proposed delegation authority enables the Executive Director to approve that Policy waiver in conjunction with such a consummated transaction, but only in instances where a remarketing of bonds is done in the form of a limited offering or private placement and is consistent with the Policy criteria. She concluded her report by confirming for Mr. Reyes that the Board has historically approved private placements consistent with the Policy criteria, and stated that Resolution 12-08 supersedes and restates the delegated authorities found in Resolution 11-24 by adding a new section 7 and renumbers the remaining sections.

Chairman Jimenez called for other questions or comments from the Board and the public. Hearing none, he entertained a motion to approve Resolution No. 12-08. Mr. Reyes moved to approve the resolution and Mr. Rice seconded the motion. The Board unanimously approved the resolution.

6. Resolution No. 12-09 approving an amended version of the I-Bank's Post-Issuance Tax Compliance Policy for Conduit Bonds (Industrial Development Bonds, Exempt Facility Bonds and 501(c)(3) Organization Bonds) to make certain improvements thereto and to expand the policy to cover bonds issued by the I-Bank on behalf of other State and local governmental entities, as well as bonds issued by the I-Bank to fund its own Infrastructure State Revolving Loan Fund Program.

Ms. Munoz presented a staff report requesting approval of an amended I-Bank Post-Issuance Tax Compliance Policy (Amended Policy). She stated that, if adopted, the Amended Policy would make improvements to the original post-bond issuance policy such that it tracks the Internal Revenue Service recommendations more closely and also includes provisions for direct bonds issued by the I-Bank for its own programs. She emphasized the proposed Amended Policy now addresses the topics of the education and training of tax compliance personnel, requires the designation of a tax compliance officer, and includes a "model" tax compliance policy that would apply to I-Bank direct bonds, and that the model could also be used by conduit bond borrowers to create their own post issuance tax compliance policy.

Ms. Munoz concluded her report by apprising the Board that the I-Bank's legal staff consulted with specialized tax counsel, and collaborated closely with the General Counsel at the State Treasurer's Office in developing both the existing Policy as well as the Amended Policy.

Chairman Jimenez called for questions or comments from the Board and the public. Mr. Reyes requested that the staff report be amended to reflect the correct resolution number. Chairman Jimenez called for any additional questions or comments. Hearing none, he entertained a motion to approve Resolution No. 12-09. Mr. Reyes moved to approve the resolution and Mr. Armstrong seconded the motion. The Board unanimously approved the resolution.

Other Non-Action Business.

Chairman Jimenez called for any other business; there was none.

Public Comment.

Chairman Jimenez called for any public comment; there was none.

Adjournment.

Chairman Jimenez declared the meeting adjourned at approximately 2:00 p.m.