

**MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK**

For the meeting held on
Tuesday, October 25, 2016 at 2:00 p.m.
Steinberg Conference Room, Suite 1700
1325 J Street, 17th Floor
Sacramento, California 95814

Chair Panorea Avdis called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:05 p.m.

1. Call to Order and Roll Call

The following Board members were in attendance:

Panorea Avdis, Chair of the Board, Director, Governor's Office of Business and Economic Development
Eraina Ortega, for the Director of the Department of Finance
Brian Annis, for the Secretary of the California State Transportation Agency
Peter Luchetti, Governor's Appointee

The following Board member arrived during the Executive Director's Report:
Tim Schaeffer, for the State Treasurer

The following IBank staff members were in attendance:

Teveia Barnes, Stefan Spich, Nancee Trombley, William Pahland, John Belmont, and John Weir

Information Item

2. Executive Director's Report

Ms. Barnes gave the Executive Director's Report. Ms. Barnes began by discussing IBank's Comprehensive Annual Financial Report (CAFR) for FY 2015/16, ending June 30, 2016. The CAFR was undertaken by the accounting firm of Macias Gini & O'Connell and resulted in a clean audit for IBank. Ms. Barnes specifically noted IBank's net position for IBank funds was at \$280.3 million in restricted funds as of June 30, 2016. She also noted an operating loss of approximately \$410,000 due to unexpected pension liability costs. Mr. Luchetti asked Ms. Barnes to address the pension liability costs. Ms. Barnes explained that the 23.3% increase in pension liability was mandated and determined by the State Controller's Office and so was not included in the planned budget. Ms. Ortega wanted to be assured that these pension liabilities were properly accounted for, and Ms. Barnes responded they were accounted for in a manner consistent with past practice. Mr. Schaeffer discussed pension liability accounting under GASB requirements. Ms. Barnes confirmed that the CAFR was done in accordance with current GASB standards. In response to Mr. Luchetti's question, Ms. Barnes confirmed IBank ended the year basically break even, due to interest payments and investment returns offsetting the operating loss. Mr. Luchetti and Ms. Barnes then discussed the importance of analyzing pension costs and that dealing with these unexpected pension costs provides IBank with insight into the challenges facing prospective IBank borrowers.

Consent Item

3. Approve minutes from the meeting held on September 27, 2016

The Secretary formally acknowledged Tim Schaeffer from the State Treasurers Office. Chair Avdis called for questions or comments on the September 27, 2016 Minutes from the Board. She also confirmed that all Board members had reviewed the most current draft Minutes containing recent edits. Hearing no questions, Chair Avdis called for a motion to approve the minutes. Mr. Annis so moved and Ms. Ortega seconded. Mr. Luchetti and Mr. Schaeffer abstained from voting as they had not been in attendance at the September 27, 2016 Board meeting. Ms. Ortega, Mr. Annis and Chair Avdis voted aye. The motion passed and the Minutes were approved.

Action Items

4. **Goodwill Industries of Sacramento Valley & Northern Nevada: Resolution No. 16-26 approving the issuance of taxable and tax-exempt revenue bonds in an amount not to exceed \$15,000,000 to (i) refund the outstanding Bank of America commercial loan, initially issued for the benefit of Goodwill Industries of Sacramento Valley & Northern Nevada (Borrower) and used to finance an eligible project located in the City of Sacramento, and (ii) to provide the Borrower additional funds to finance other eligible projects located in the City of Sacramento and in the City of South Lake Tahoe.**

Chair Avdis requested that Staff introduce Resolution 16-26. Mr. John Weir, Staff Loan Officer for the Bond Unit introduced the Resolution. Representatives in attendance from Goodwill Industries included Joe Mendez and Connie Schultz, with Nathan Treu as Bond Counsel. Mr. Mendez acknowledged the staff of IBank and praised them on their knowledge and professionalism. Mr. Mendez summarized how the requested funds would be utilized and noted that the economic benefit to the community would be approximately \$12 million annually.

Chair Avdis then inquired into the specifics regarding the missed reporting requirements under the borrower's 2012 bonds. Connie Schulz, Goodwill's CFO, clarified that Goodwill had delivered the reporting information but had not ensured it was posted to EMMA under all applicable CUSIPs for multiple series of outstanding bonds. This information was subsequently properly posted in a late filing. Ms. Schulz verified that measures have been implemented to prevent this from happening in the future.

Chair Avdis asked the Board and then the public if there were any questions or comments. Hearing none, Chair Avdis requested a motion to approve this action item. Ms. Ortega so moved and Mr. Annis seconded. The Board unanimously approved Resolution 16-26.

Chair Avdis, noting the nature of the project, recommended that Goodwill contact the Labor Agency regarding the Employment Training Panel.

5. **St. Michael's Episcopal Day School: Resolution No. 16-27 approving the issuance of tax-exempt obligations, in an amount not to exceed \$4,478,000, to be sold to Five Star Bank through a private placement and loaning the proceeds to St. Michael's Episcopal Day School to refund the outstanding commercial loan with Umpqua Bank and used to finance an eligible project located in the City of Carmichael.**

Chair Avdis requested that Staff introduce Resolution 16-27. Mr. John Belmont, Staff Loan Officer for the Bond Unit introduced the Resolution. Representatives in attendance included Mary Heise for St. Michael's, Jason Sazlow from Five Star Bank, and Mark Ellinghouse and Irina Rospotnyuk

as Bond Counsel. Mr. Sazlow and Ms. Rospotnyuk both thanked the Board, noted IBank staff had been “exceptional” and praised them for their professionalism.

Chair Avdis asked the Board and then the public if there were any questions or comments. Hearing none, Chair Avdis requested a motion to approve this action item. Ms. Ortega so moved and Mr. Annis seconded. The Board unanimously approved Resolution 16-27.

6. IBank Investment Policy: Resolution No. 16-28 approving IBank’s 2016 Investment Policy.

Chair Avdis requested that Staff introduce Resolution 16-28. Ms. Nancee Trombley, IBank Chief Deputy Executive Director introduced the Resolution. Ms. Trombley clarified there had been only one non-substantive change to the Investment Policy, a change in title from Deputy Executive Director to Chief Deputy Executive Director since approval of the policy in 2015.

Chair Avdis asked the Board and then the public if there were any questions or comments. Hearing none, Chair Avdis requested a motion to approve this action item. Ms. Ortega so moved and Mr. Annis seconded. The Board unanimously approved Resolution 16-28.

Reporting/Non-Action Business

Chair Avdis asked if there were any other items that the Board would like to discuss. Hearing none, she moved on to public comment.

Public Comment

Chair Avdis asked if there were any comments or questions from the Board or the public. No additional comments or questions were received.

Adjournment

Chair Avdis declared the meeting adjourned at approximately 2:35 p.m.