

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

For the meeting held on
Tuesday, June 28, at 2:00 p.m.
Dept. of Food and Agriculture
1220 N Street, Auditorium
Sacramento, CA 95814

Chair Panorea Avdis called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:01 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
Todd Jerue, for the Director of the Department of Finance
Augustin Jimenez, for the Secretary of the California State Transportation Agency
Alan Gordon, for the State Treasurer
Peter Luchetti, Governor's Appointee (Remotely via conference line)

IBank staff members in attendance were:

Teveia Barnes, Stefan Spich, Nancee Trombley, Diane Cummings, John Lee, Fariba Khoie

Information Item

2. Executive Director's Report

Ms. Barnes gave the Executive Director's Report. Ms. Barnes first gave the floor to Diane Cummings, IBank Chief Credit Officer. Ms. Cummings introduced Shawn Ali, the new Associate Governmental Program Analyst to the Board. Ms. Barnes then announced that Karen Zirkle, Administrative Analyst, will be retiring at the end of June. She presented Ms. Zirkle with a Certificate of Appreciation from IBank/GO-Biz for her 15 years of State service.

Ms. Barnes then announced that the IBank's ISRF 2016A Bonds closed today. The \$141,600,000 issuance priced at a premium of \$30,500,000 with true interest cost of approximately 3%. Ms. Barnes noted she will circulate a detailed summary of the closing to the Board members.

Ms. Barnes then recognized and thanked the IBank staff, counsel, and advisors who had participated in the ISRF 2016A Bonds working group. This was noted as a historic event for IBank as this bond issue was the largest issuance in IBank history and the first time IBank bonds received AAA ratings from all three major rating agencies.

Next, Ms. Barnes discussed the proposed Conduit Bond fee increases. Ms. Barnes noted IBank is mindful of the differences between types of conduit bond issuances, the workload for each, and will work to keep fees low for Industrial Development Bonds.

The proposed changes are posted on IBank's website. As an outreach effort IBank is taking public comments regarding the proposed increase until August 5, 2016. Public comments will be considered before the Board voted on the fee increase at the September 2016 meeting. Chair Avdis asked how the proposed fees compared to those of IBank's peers. Ms. Barnes explained that IBank's fees are generally lower than comparable issuers. Mr. Jimenez then asked if a narrative discussion of the increases and comparison with peers was included on the website.

Ms. Barnes answered that they were not and were provided as a fee scale. It was agreed that larger issues, requiring greater IBank resources, could justify larger fees. Mr. Luchetti praised IBank on the decision to increase the fees and reaffirmed that fees should match the scale of the transaction and the parties.

Ms. Barnes then announced Hancock Financial Development Corporation's formal withdrawal from the Small Business Loan Guarantee Program as of July 1, 2016, and stated that Hancock's portfolio will be transferred to another FDC. Eight FDCs will remain in the Program.

Ms. Barnes then introduced a new proposed loan program under the Small Business Finance Center entitled "Jump Start to Wealth". This will be a small business microloan program for start-ups and early stage small businesses in low wealth communities. IBank would contract with certain existing FDCs, all experienced in this type of lending, to offer credit underwriting, loan disbursement, technical assistance, and financial training. This program will only be offered in low wealth communities and will focus on providing services to women, minorities, veterans, persons with disabilities, and persons previously incarcerated. IBank will seed the new program with a \$2,000,000 one-time transfer from its existing Farm Loan Program. The Farm Loan Program currently has \$1,420,000 in loans outstanding and \$7,144,000 available to lend. Ms. Barnes noted the funds remaining after this transfer will be sufficient to continue to operate the Farm Loan Program.

Mr. Jimenez expressed his interest in this program and asked if there was a model for this new program and whether there were any statutory limitations it faced. Ms. Barnes responded that the program would be modeled after the work of five existing FDCs who operate as Community Development Financial Institutions under US Treasury regulation. These FDCs have operated successful programs for many years and have refined their underwriting criteria based on years of experience. The new program will have standardized forms and procedures, yet each applicant's credit will be individually reviewed. Ms. Barnes concluded that IBank will ensure statutory authority by bringing this proposal formally before the Board for approval. IBank intends to do so at the September meeting.

Chair Advis asked if any of the Board had any questions for Ms. Barnes and there were none.

Consent Item

3. Approve minutes from the meeting held on May 24, 2016

Chair Avdis called for questions or comments on the May 24, 2016, Board meeting minutes from the Board. Hearing none, Chair Avdis called for a motion to approve the minutes. Mr. Gordon so moved and Mr. Jerue seconded the motion. Mr. Gordon, Mr. Jerue, Ms. Avdis, Mr. Jimenez (upon consultation with Mr. Brian Annis), and Mr. Luchetti voted to approve the minutes. The motion passed unanimously.

Action Items

1. San Diego Convention Center and City of San Diego ISRF Financing: Resolution No. 16-16 approving lending Infrastructure State Revolving Fund Program funds to the San Diego Convention Center Corporation and City of San Diego in an amount not to exceed \$25,500,000 to finance an eligible project known as the San Diego Convention Center Facility Infrastructure Replacement and Upgrades located in the City of San Diego.

Chair Avdis requested that Staff introduce Resolution 16-16. Mr. John Lee of IBank's Loan Unit introduced Lakshmi Kommi, Director of Debt Management and Mark Emch, Vice President Finance & CFO attending from the City and the Corporation and introduced the Resolution. The representatives then discussed certain details of the project.

Chair Avdis asked about the Convention Center's current economic projections. The Corporation's representative outlined a strong financial picture for 2016 and 2017. Mr. Gordon asked why the applicants had chosen to work with IBank. The City's representative noted that the size and scope of this project meant they viewed it as a good match for IBank. Mr. Gordon then asked about current IBank policies on financing borrowers with strong credit ratings. Ms. Barnes explained that in the October 2013 revisions were made to the ISRF Program and Criteria, in which the Board agreed to revise certain ISRF policies including removing a prohibition on loans to rated borrowers and increasing the loan size cap to \$25,000,000, or more with the consent of the Board. The revisions were made with the understanding that by increasing the quality of IBank's loans, IBank would be able to obtain a top credit rating, and would be able to pass along the resulting savings to its borrowers, including lower rated and unrated borrowers. Without quality borrowers in IBank's pool, the quality of IBank bonds would decrease and costs would increase. The interest rate methodology adopted by the Board in December 2013 and currently used by IBank, including interest rate reductions and subsidies for disadvantaged communities, relies upon this blended structure to ensure IBank's continued strong credit. This project is also consistent with IBank's mission to support both public infrastructure and economic development needs of local governments. Mr. Luchetti concurred in his support for the project.

Mr. Jimenez asked about the Convention Center's management contract, the project's financing structure, and the relative liability of the joint applicants. The City representative explained the ownership structure and financing history, and stated that agreement has been reached with the Port District, the owner of the facility, to allow the applicants to undertake this project upon the terms presented to the Board. The City and Ms. Barnes both confirmed that both applicants were jointly and severally liable for the project obligation, so each was liable up to 100% (but not more than 100%). Mr. Luchetti noted the challenges associated with financing convention centers generally and confirmed the joint and several liability as a key to the successful outcome here. 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. Mr. Gordon so moved and Mr. Jerue seconded. The Board unanimously approved Resolution 16-16.

2. A & W Investments, LLC: Resolution No. 16-17 approving the issuance of conduit tax-exempt and taxable industrial development revenue bonds, in a par amount not to exceed \$8,000,000 to (i) finance a portion of the cost of the acquisition, construction and equipping of an existing facility, to be leased to Capital Corrugated, Inc., a California Corporation, for use as manufacturing facility, and (ii) pay certain costs of issuance of the Bonds for the benefit of the A & W Investments, LLC, a California limited liability company located in the County of Sacramento.

Chair Avdis requested that Staff introduce Resolution 16-17. Ms. Fariba Khoie, IBank's Bond Unit Manager introduced the representatives, Mr. Bret Smith, Controller of Capital Corrugated, Inc. and Mr. Bill Lofton, Bond Counsel from Schiff Hardin, LLP and the Resolution. Mr. Smith thanked the Board and IBank staff and discussed the nature of the project and the jobs it would help create. Mr. Jimenez inquired about the jobs created by this project and specifically whether people from the surrounding community would be hired. The Capital Corrugated representative answered that they do hire locally, and discussed their recruitment efforts for veterans, jobs programs participants, and at local community colleges. Chair Avdis asked if the project is taking advantage of any of the other state incentives available, such as sales and use tax exemptions and hiring

credits. Mr. Smith said he was taking advantage of the sales and use tax exemption and would review the hiring credits. Ms. Avdis then 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. Mr. Gordon so moved and Mr. Jerue seconded. The Board unanimously approved Resolution No. 16-17.

3. The Salvation Army Refunding Bonds: Resolution No. 16-18 approving the issuance of conduit tax-exempt revenue bonds in a par amount not to exceed \$56,000,000 to (i) currently refund the outstanding California Infrastructure and Economic Development Bank Refunding Revenue Bonds, Series 2006 (The Salvation Army Western Territory), the proceeds of which were used to finance and refinance the costs of the acquisition, construction, renovation, equipping and furnishing of eligible projects in Orange County, Los Angeles County, San Diego County, and Santa Barbara County, and (ii) pay certain costs of issuance of the Bonds for the benefit of the Salvation Army, a California nonprofit religious corporation.

Chair Avdis requested that Staff introduce Resolution 16-18. Ms. Khoie introduced the representatives, Mr. Tom Melott, Territorial Finance Director of the Salvation Army-Western Territory; Mr. Sam Balisy, Bond Counsel from Kutak Rock and Mr. Joe Yew, Financial Advisor from Hilltop Securities and the Resolution. Mr. Jimenez asked how the borrower's covenant that the funds not be used for any sectarian activities would be monitored or enforced. Mr. Melott explained that IBank has inspection rights regarding the project, but that ultimately it was the borrower's obligation to comply with the intended uses and it was the borrower's ultimate risk for any misuse that helped ensure compliance. Ms. 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. Mr. Jerue so moved and Mr. Gordon seconded. The Board unanimously approved Resolution No. 16-18.

4. Segerstrom Center for the Arts: Resolution No. 16-19 approving the issuance of revenue bonds in a par amount not to exceed \$70,000,000 to (i) refund all or a portion of the outstanding California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B initially issued for the benefit of the Segerstrom Center for the Arts (formerly known as Orange County Performing Arts Center) and used to refinance costs of eligible projects in the City of Costa Mesa, California, (ii) establish a debt service reserve fund to secure the Bonds, and (iii) pay costs of issuance.

Chair Avdis requested that Staff introduce Resolution 16-19. Ms. Khoie introduced the representatives, Mr. Brian Finck, Chief Financial Officer of Segerstrom; Mr. Kerrigan Bennett, Bond Counsel from Stradling, Yocca Carlson & Rauth; Mr. Richard Chisholm, Managing Director and Mr. Douglas Brown, Director from Wells Fargo and the Resolution. Mr. Finck thanked IBank and the Board for their long history of support. Ms. 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. Mr. Gordon so moved and Mr. Jerue seconded. The Board unanimously approved Resolution No. 16-19.

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.

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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 3:03 p.m.