

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

BOND FINANCING PROGRAM STAFF REPORT

INCREASING IBANK BOND PROGRAM FEES

ISSUE

The Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the “Act”) governs the California Infrastructure and Economic Development Bank (“IBank”) and IBank is authorized under provisions of the Act to issue tax-exempt revenue bonds to provide financing and refinancing for eligible projects located in the State of California. The Act authorizes IBank to charge and equitably apportion among sponsors and participating parties IBank’s administrative costs and expenses incurred in the exercise of its powers and duties conferred by the Act (Section 63025.1.(o)).

IBank, is financially self-reliant and does not receive annual state appropriations. Its operations are funded primarily from the administrative fees collected for the services IBank provides under its various Programs, including the Bond Financing Program.

IBank’s Bond Financing Program fee schedule is divided into three different fee categories: the Application Fee, the Issuance Fee and the Annual Fee. In most instances, each of these fees are lower than those charged by other state agencies for similar services and transactions. IBank seeks to increase the Bond Financing Program fees for its various Bond Programs. The new fee schedule, if approved by the Board, will be effective as of October 1, 2016.

BACKGROUND

IBank was established in 1994 with the enactment of AB 1495 (Chapter 94, Statutes of 1994) and SB 101 (Chapter 749, Statutes of 1994) to finance public infrastructure and economic development with broad authority to, among other things, issue tax-exempt and taxable revenue bonds. Since its inception IBank has never received State funding for its Bond Financing Program but has received limited State funding for its other programs. IBank received an initial \$50 million appropriation for its Infrastructure State Revolving Fund (“ISRF”) Program in the State’s 1998/99 budget. Soon thereafter IBank received an additional \$425 million in the 1999/00 State budget to provide low cost financing to public agencies for infrastructure projects. \$293 million of the amount appropriated in 1999/00 State budget was redirected back to the General Fund in the 2001/02 and 2002/03 State budgets to assist the State during this budget deficit period. Also, pursuant to IBank Resolution No. 03-16 adopted on May 28, 2003, \$20 million of the remaining appropriated funds were transferred to the Guarantee Trust Fund to implement a guarantee program in order to assist the Imperial Irrigation District (“IID”) issue revenue bonds to finance a proposed Water Conservation Project (the “IID Guarantee Program”). In light of IBank’s return of \$293 million to the General Fund and the \$20 million transfer for the IID

Guarantee Program, IBank has received budget appropriations of only \$162 million since its establishment. Importantly, none of this \$162 million has been used for IBank’s Bond Financing Program. IBank has been financially independent from the State budget and self-reliant since the initial appropriations and instead is self-funded through the administrative fees it collects in connection with the services it renders.

Under its Bond Financing Program IBank issues the following four categories of conduit bonds: 501(c)(3) Bonds, Industrial Development Bonds (“IDBs”), Exempt Facility Bonds and Public Agency Revenue Bonds (“PARBs”). Since 1995 IBank has issued 398 tax-exempt and taxable revenue bonds for various projects, with an aggregate par amount of over \$36.9 billion.

BOND FINANCING PROGRAM CURRENT FEE SCHEDULE

The following is IBank’s current fee schedule for 501(c)(3), IDB, and Exempt Facility Bond transactions:

- **Application Fee:**
 - A \$1,500 one-time, non-refundable, Application Fee that conduit borrowers pay when submitting their Application.
- **Issuance Fee:**
 - An Issuance Fee that is payable upon closing and is calculated based on the following schedule:

<u>Issuance Amount</u>	<u>Fee</u>
○ Up to \$10 million	0.25%
○ \$10 to \$15 million	\$25,000, plus 0.15% of the amount above \$10 million
○ \$15 to \$20 million	\$32,500, plus 0.10% of the amount above \$15 million
○ \$20 to \$95 million	\$37,500, plus 0.05% of the amount above \$20 million
○ Over \$95 million	\$75,000

IBank currently pays a portion of the Issuance Fee to the State Treasurer’s Office (“STO”) for public offering bond transactions in which STO is IBank’s Agent for Sale. STO’s Agent for Sale Fees are:

<u>Par Value</u>	<u>STO Fee</u>
○ Up to \$5 million	\$4,000
○ \$5 million - \$40 million	\$6,000
○ \$40 million - \$100 million	\$8,000
○ Over \$100 million	\$10,000

- **Annual Fee:**

- An Annual Fee of \$500 that is due each September 1st, following the bond closing and until the bonds are fully redeemed.

ANALYSIS

In late 2015 the IBank Board of Directors (the “Board”) unanimously approved a 501(c)(3) Bond transaction with a par amount exceeding \$300 million. IBank’s Issuance Fee for this sizeable transaction was only \$75,000, \$10,000 of which was paid to STO for its role as Agent for Sale. During the Board’s discussion of this item one Board member suggested that IBank review its fee structure and compare its fees to those of other conduit bond issuers. This suggestion arose from the concern that IBank’s fees may be lower than those of other conduit bond issuers in relation to large bond issuances. In particular, the Board member noted that a \$75,000 issuance fee seemed low for an issuance exceeding \$300 million. The Board agreed with this suggestion and asked staff to review IBank’s fee structure and report the results to the Board. Following this meeting IBank’s staff surveyed the fee schedules of other conduit bond issuers with similar financing programs. IBank staff then compared the fee schedules of those other issuers to IBank’s current fee schedule.

Based on this research and analysis, IBank staff developed a proposed revised fee schedule for its conduit bond programs that was submitted to the IBank Board prior to June 28, 2016 meeting. During the June Board meeting, Mrs. Barnes, Executive Director of IBank suggested to the Board that IBank post its proposed revised fee schedule to IBank’s website and seek public comment. The Board agreed with Ms. Barnes’ proposed course of action.

On June 28, 2016 IBank posted a Proposed Fee Schedule to its website. IBank requested public comment on its proposed fee increases by the close of business on August 5, 2016. (**ATTACHMENT 1**) IBank received no comments.

The following sections discuss IBank’s current and proposed conduit bond fees. The tables set forth in the following sections compare IBank’s current and proposed fees to the fees charged by other conduit bond issuers with similar financing programs. (Note – Please see Attachment 2 for the complete name of the agencies/authorities listed in the following tables.)

APPLICATION FEES

IBank’s Application Fees are one time, non-refundable fees due at the time of Application submission.

Application Fees - 501(c)(3) and Exempt Facility Bonds									
Par Amount	IBank Current Fees	Proposal	ABAG	CEDA	CHFFA	CEFA	CMFA	CPCFA	CSCDA
Up to \$1,000,000	\$1,500	\$2,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$500	\$5,000
\$5,000,000	\$1,500	\$2,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$2,500	\$5,000
\$10,000,000	\$1,500	\$2,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$30,000,000	\$1,500	\$3,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$50,000,000	\$1,500	\$3,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$100,000,000	\$1,500	\$3,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$200,000,000	\$1,500	\$4,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$300,000,000	\$1,500	\$4,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$400,000,000	\$1,500	\$4,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$500,000,000	\$1,500	\$4,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
\$1,000,000,000	\$1,500	\$4,500	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000
Over \$1,000,000,000	\$1,500	\$5,000	\$1,000	\$1,500	\$500	\$1,000	\$2,500	\$5,000	\$5,000

Also, IBank proposed increasing the Application Fee for IDBs from \$1,500 to \$2,000. IBank’s proposed IDB Application Fee would be a flat fee that does not vary with the issue amount.

ISSUANCE FEES

Issuance Fees are collected on or after the transaction closing date. IBank does not charge an Issuance Fee if the transaction does not close. IBank proposes similar Issuance Fees for 501 (c)(3)’s and Exempt Facility Bonds. The Proposed Issuance Fees show a moderate increase for the issue amounts up to \$100 million. For issue amounts over \$100 million, IBank’s proposed Issuance Fees are within the range of those collected by other conduit bond issuers. Borrowers for 501(c)(3), Exempt Facility Bonds and IDBs would pay the STO’s issuance fees on public offering bond transactions in which STO is the Agent for Sale. IBank would no longer pay a portion of IBank’s Issuance Fee to the STO for public offering bond transactions in which the STO is the Agent for Sale.

Issuance Fees - 501(c)(3) and Exempt Facility Bonds								
Par Amount	IBank Current Fees	Proposal	ABAG	CEDA	CHFFA	CEFA	CMFA	CSCDA
Up to \$1,000,000	\$2,500	\$4,000	\$4,000	\$2,500	\$500	\$500	\$2,000	\$10,000
\$5,000,000	\$12,500	\$15,000	\$4,000	\$12,500	\$2,500	\$6,500	\$10,000	\$25,000
\$10,000,000	\$25,000	\$30,000	\$4,000	\$25,000	\$5,000	\$14,000	\$20,000	\$50,000
\$30,000,000	\$42,500	\$45,000	\$14,000	\$42,500	\$15,000	\$24,000	\$75,000	\$150,000
\$50,000,000	\$52,500	\$55,000	\$24,000	\$52,500	\$25,000	\$34,000	\$75,000	\$250,000
\$100,000,000	\$75,000	\$75,000	\$25,000	\$75,000	\$50,000	\$59,000	\$75,000	\$250,000
\$200,000,000	\$75,000	\$100,000	\$25,000	\$75,000	\$100,000	\$75,000	\$75,000	\$250,000
\$300,000,000	\$75,000	\$150,000	\$25,000	\$75,000	\$150,000	\$75,000	\$75,000	\$250,000
\$400,000,000	\$75,000	\$200,000	\$25,000	\$75,000	\$200,000	\$75,000	\$75,000	\$250,000
\$500,000,000	\$75,000	\$250,000	\$25,000	\$75,000	\$250,000	\$75,000	\$75,000	\$250,000
\$1,000,000,000	\$75,000	\$300,000	\$25,000	\$75,000	\$300,000	\$75,000	\$75,000	\$250,000
Over \$1,000,000,000	\$75,000	\$400,000	\$25,000	\$75,000	\$300,000	\$75,000	\$75,000	\$250,000

IBank intends to maintain its Issuance Fees for IDBs at the current level.

Industrial Development Bonds Issuance Fees					
Par Amount	IBank Current Fees	Proposal	CEDA	CMFA	CSCDA
\$500,000	\$1,250	\$1,250	\$1,250	0**	\$25,000
\$1,000,000	\$2,500	\$2,500	\$2,500	0**	\$25,000
\$5,000,000	\$12,500	\$12,500	\$12,500	\$10,000	\$25,000
\$10,000,000	\$25,000	\$25,000	\$25,000	\$22,500	\$25,000

** Zero amount netted after credit of Application fee at close.

ANNUAL FEES

IBank's current Annual Fee is due each September 1, commencing on the first September 1 after the conduit bonds/obligations dated date, until the bonds/obligations are fully redeemed. Currently, IBank's Annual Fee is a fixed amount of \$500 irrespective of the par amount of the bonds/obligations. IBank's proposed Annual Fee remains at \$500 for issue amounts up to and including \$10 million. As a result, the Annual Fees applicable to all IDBs would remain unchanged. For par amounts over \$10 million, the Annual Fee would increase to \$1,000.

Annual Fees - 501(c)(3)s and Exempt Facility Bonds								
Par Amount	IBank Current Fee	Proposal	ABAG	CEDA	CHFFA	CEFA	CMFA	CSCDA
Up to & Including \$1,000,000	\$500	\$500	\$200	\$500	\$400	\$150	\$500	\$150
\$5,000,000	\$500	\$500	\$1,000	\$500	\$400	\$750	\$750	\$750
\$10,000,000	\$500	\$500	\$2,000	\$500	\$400	\$1,500	\$1,500	\$1,500
\$30,000,000	\$500	\$1,000	\$6,000	\$2,500	\$400	\$4,500	\$4,500	\$4,500
\$50,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$7,500	\$7,500	\$7,500
\$100,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$15,000	\$15,000
\$200,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$30,000	\$30,000
\$300,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$45,000	\$54,000
\$400,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$60,000	\$60,000
\$500,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$75,000	\$75,000
\$1,000,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$150,000	\$150,000
> \$1,000,000,000	\$500	\$1,000	\$10,000	\$2,500	\$400	\$12,000	\$225,000	\$150,000

STAFF RECOMMENDATION

Staff recommends approval of the Proposed Fees on (**ATTACHMENT 1**) for conduit bonds being issued under the IBank Bond Financing Programs. The Proposed Fees, if approved, will be effective on October 1, 2016 and will be applied to conduit bond/obligation transactions where IBank received the Application on or after the effective date of the Proposed Fees.

Prepared By:	Fariba Khoie	Date Prepared:	8/16/2016
---------------------	---------------------	-----------------------	------------------

ATTACHMENT 1 – IBank PROPOSED FEES

IBank Proposed Fees

Application Fees -501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
< \$1,000,000	\$1,500	\$2,000
\$10,000,000	\$1,500	\$2,500
\$30,000,000	\$1,500	\$3,000
\$100,000,000	\$1,500	\$3,500
\$400,000,000	\$1,500	\$4,000
\$1,000,000,000	\$1,500	\$4,500
> \$1,000,000,000	\$1,500	\$5,000

Issuance Fees - 501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
Up to & Including \$1,000,000	\$2,500	\$4,000
\$5,000,000	\$12,500	\$15,000
\$10,000,000	\$25,000	\$30,000
\$30,000,000	\$42,500	\$45,000
\$50,000,000	\$52,500	\$55,000
\$100,000,000	\$75,000	\$75,000
\$200,000,000	\$75,000	\$100,000
\$300,000,000	\$75,000	\$150,000
\$400,000,000	\$75,000	\$200,000
\$500,000,000	\$75,000	\$250,000
\$1,000,000,000	\$75,000	\$300,000
> \$1,000,000,000	\$75,000	\$400,000

Annual Fees - 501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
Up to & Including \$1,000,000	\$500	\$500
\$5,000,000	\$500	\$500
\$10,000,000	\$500	\$500
\$30,000,000	\$500	\$1,000
\$50,000,000	\$500	\$1,000
\$100,000,000	\$500	\$1,000
\$200,000,000	\$500	\$1,000
\$300,000,000	\$500	\$1,000
\$400,000,000	\$500	\$1,000
\$500,000,000	\$500	\$1,000
\$1,000,000,000	\$500	\$1,000
> \$1,000,000,000	\$500	\$1,000

Application Fee - Industrial Development Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
\$500,000 to \$10,000,000	\$1,500	\$2,000

Issuance Fees - Industrial Development Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
Up to & Including \$500,000	\$1,250	\$1,250
\$1,000,000	\$2,500	\$2,500
\$5,000,000	\$12,500	\$12,500
\$10,000,000	\$25,000	\$25,000

Annual Fees - Industrial Development Bonds

Par Amount	IBank Current Fees	IBank Proposed Fee
Up to & Including \$500,000	\$500	\$500
\$1,000,000	\$500	\$500
\$5,000,000	\$500	\$500
\$10,000,000	\$500	\$500

ATTACHMENT 2 – AGENCIES LONG NAMES

Agencies Short & Long Names:

ABAG:	Association of Bay Area Governments
CEDA:	California Enterprise Development Authority
CHFFA:	California Health Facilities Financing Authority
CEFA:	California Educational Facilities Authority
CMFA:	California Municipal Finance Authority
CPCFA:	California Pollution Control Financing Authority
CSCDA:	California Statewide Communities Development Authority