

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

For the meeting held on  
Tuesday, October 24, 2017 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 2:00 p.m.

**1. Call to Order and Roll Call**

The following Board members were in attendance:

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

IBank staff members in attendance were

Teveia Barnes, Nancee Trombley, Stefan Spich, William Pahland, and Emily Burgos,

**Information Item**

**2. Executive Director's Report**

Ms. Teveia Barnes, IBank Executive Director yielded the floor to the manager of IBank's Small Business Finance Center, Ms. Emily Burgos, who updated the Board on IBank's Jump Start Loan Program. Ms. Burgos reported that 4 Jump Start loans were approved in September totaling \$25,000.00. The Jump Start loans were to a diverse group of low-wealth entrepreneur's, including a number of start-ups in various design industries. The Financial Development Corporations provided 14 new applicants with 30 hours of technical assistance. Jump Start has provided a total of 208.5 hours of technical assistance to 69 low-wealth entrepreneurs to date. Responding to Mr. Luchetti's questions, Ms. Burgos informed the Board the program had been operational since May 2017 and had closed eight loans totaling \$53,000.00. Chair Avdis asked how many of the loan recipients also received technical assistance, to which Ms. Burgos answered all eight. Ms. Burgos clarified that all applicants receive financial planning and technical assistance throughout the process. Chair Avdis thanked Ms. Burgos.

**Consent Item**

**3. Approve minutes from the meeting held on September 26, 2017**

Chair Avdis asked if there were any comments or questions regarding the September 26, 2017 Minutes. Hearing none, she called for a vote to approve the Minutes. Mr. Annis made a motion to approve the Minutes and Ms. Ortega seconded. Mr. Juarez and Chair Avdis abstained from the vote as they were not in attendance. The remaining board members voted unanimously to approve the September 26, 2017 Board Meeting Minutes.

## **Action Items**

### **4. Resolution No. 17-15 approving IBank's 2017 Debt Management Policy.**

Executive Director, Teveia Barnes introduced Resolution No. 17-15 and went over the Board's requested changes regarding the Policy, including annual review by the Executive Director and review in connection with each issuance of IBank debt. Ms. Barnes clarified that language had been added regarding review of the Policy annually and in connection with issuances, and that the Policy would be brought for board review at least every five years. Mr. Juarez discussed whether the Policy should include a statement that IBank would not increase debt service during a current refunding. Mr. Juarez noted he would discuss internally with the public finance staff at STO. Chair Avdis thanked Mr. Juarez. Hearing no further questions or comments, and after hearing no public comment, Mr. Juarez moved to vote, which was seconded by Mr. Annis. The Board voted unanimously to pass Resolution 17-15.

### **5. Resolution No. 17-16 approving the transfer of \$10,000,000 or other amount approved by the Board from the State Small Business Loan Guarantee Program to the Disaster Relief Program and related amendments to the Small Business Finance Center's Directives and Requirements.**

### **6. Resolution No. 17-17 approving amendments to the Small Business Finance Center's Directives and Requirements for the Jump Start Loan Program to include eligible small businesses located in State and/or Federally-declared disaster and emergency areas.**

Ms. Barnes introduced Resolutions 17-16 and 17-17 together. She began with her first-hand account of the recent wild fires that had devastated Napa and Sonoma counties. Ms. Barnes recounted the high winds and the severity of the fires and how the heavy smoke and ash made air quality toxic and required people to remain indoors. In the following days the true devastation there and from fires elsewhere in the State, including Southern California was made clear.

IBank, working with GO-Biz, and their small business advocate Mr. Jesse Torres, started working on how IBank could help businesses in these areas recover. Ms. Burgos suggested that a dormant IBank program, the Disaster Relief Program (DRP), be reinstated. Currently the DRP had just over \$6,000 in funds. IBank is currently unable to use federal Small Business Finance Center (SBFC) funds for DRP purposes, and is therefore seeking Board approval to transfer up to \$10 million to the DRP. Although demand for the DRP is currently unknown, IBank understands the need for assistance in these areas and the urgency for action. IBank also became aware that the Jump Start Program was available in Sonoma County, but not in Napa County due to its relative wealth. The fires negatively impacted small businesses in both counties without distinction and therefore it made sense to use Jump Start to support eligible participants in all areas impacted by fires, earthquake, floods,

riots, frost or other natural disasters or emergencies, whether declared on the state or national level.

The IBank's response plan is set forth in two parts, Resolution 17-16, transferring funds to the Disaster Relief Program, and Resolution 17-17, expanding the Jump Start Loan Program's eligibility requirements to include businesses adversely affected by a natural disaster or emergency.

Current SBLG guidelines allow for guarantees on loans up to \$20 million, guarantees of up to 80% of loan value, and capped at a maximum of \$2.5 million, and the guarantee runs for up to seven years. Interest rates are negotiated between lenders and borrowers. SBLGP loss rate for the last three years has been less than 1%. Ms. Barnes noted the guarantees are not risk-free and that IBank had paid out over \$1 million in guarantees over the last three years. Mr. Luchetti then discussed the program's loss rate and its possible impact upon IBank finances. Ms. Barnes agreed that the risk had to be managed but noted that without IBank support many small businesses would not have any access to financing.

In response to a question from Chair Avdis, Ms. Barnes confirmed that the DRP had always been a "guaranty" program and would remain so. Ms. Barnes also noted that the DRP would increase the loan value ratio to 85% to 95% depending upon the underlying interest rate, to further encourage small business lending. Chair Avdis wanted to clarify two points: first, that Resolution 17-16 would be authorizing the use of the funds for DRP but not actually transferring such funds to a different account, and second, that no additional funds would be needed for the proposed expansion of Jump Start.

Mr. Juarez commended IBank staff on their quick response time and agreed with Mr. Luchetti on the need for careful risk management.

Ms. Ortega inquired into the eligibility for nurseries and other agricultural enterprises under the DRP. Ms. Barnes responded that they were included in the DRP, and that they are otherwise eligible for the SBLGP directly under the IBank Act for other purposes. IBank wanted to make it clear that agricultural businesses, including wineries, nurseries and other wine country enterprises, excluding "sin and vice", are eligible for these programs. Mr. Juarez asked and Ms. Barnes clarified that cannabis businesses are not currently eligible, but that this may be affected by upcoming changes in law. Ms. Ortega then inquired into public outreach efforts for the DRP and Jump Start. Ms. Barnes responded that IBank would be sending its Program Manager for the Small Business Finance Center to Napa and Sonoma to meet with various groups. IBank is also working directly with GO-Biz and its small business advocate, Mr. Jesse Torres, who has a robust presence in the region.

Mr. Annis inquired about the potential to leverage the DRP funds. Ms. Barnes explained that the statute allows IBank to leverage up to 10 times, but that IBank was being cautious and prudent at a 5 to 1 ratio due to unknown program demand and dynamics. Addressing this unknown, Ms. Burgos suggested securing access to the DRP funds on an "as-needed" basis would be more useful than transfer of a specific amount of funds. The unknowns of program demand and risk also dictated limiting DRP guarantees to loans of \$1.25 Million, with guaranties of up to \$1 Million, to preserve program capital and ensure broader distribution of funds. DRP underwriting would continue to be done by the Financial Development Corporations, who have experience in disaster related funding. Mr. Annis asked and Ms. Barnes clarified that DRP funds were not transferred until the subject loan had been approved and were eligible for return upon conclusion of the guaranty. Ms. Barnes continued that IBank intends to collapse the State Small Business Loan Guarantee

Program and the federal State Small Business Credit Initiative funds into a single fund to be used for eligible program purposes when all federal conditions have been satisfied.

Mr. Luchetti voiced his support for the Resolutions, but cautioned that the programs should not be expanded until there was a better understanding of the risks, demand and dynamics. He requested IBank staff report back to the Board on the ongoing status of the new programs.

The Chair then asked for public comment.

Anthony Rucker, Senior Loan Officer with California Capital (a Financial Development Corporation) spoke of his experiences with disaster loan programs for the 1994 Northridge earthquake and 1990 Dunsmuir Spill. He noted some improvements since then and affirmed he would work closely with lenders in the region to utilize the programs.

Al Lerma, a representative of the Sonoma County Economic Development Board, reported on the devastation left by the recent fires. He noted that Mr. Jesse Torres had been of great assistance and had helped SCEDB identify IBank as a resource. He noted great demand for both DRP and Jump Start, as many businesses in Sonoma and the surrounding counties had been affected by the fires. He thanked both IBank and Mr. Torres, for their quick and coordinated response and promised to work with community partners to advertise and utilize these programs. Chair Avdis thanked Mr. Lerma and reminded him that other state programs may also be available and encouraged him to use GO-Biz as a coordinating resource. Sanford Livingston, from Nor-Cal Financial Development Corporation, also praised IBank's proposal and the SBFC staff and promised to work to support the program's efforts in the impacted communities. Finally, Arthur Washington, a former FDC manager, discussed past disaster relief lending efforts including the 1989 Loma Prieta Earthquake and the 1991 Oakland Hills Fire. Mr. Washington affirmed that post-disaster bridge financing was essential for businesses to continue operations in the difficult months following a disaster. In his experience, small direct loan programs, such as Jump Start play a vital role in the ensuring viable businesses bounce back from a disaster.

Hearing no further public comment, the Chair called for a vote to approve the Resolutions. The Board Secretary asked that the Board vote on each Resolutions separately. For Resolution 17-16, Ms. Ortega moved to vote, Mr. Juarez seconded the motion and the Board unanimously approved it. For Resolution 17-17. Ms. Ortega moved to vote, Mr. Juarez seconded and the Board unanimously approved it.

#### **Reporting/Non-Action Business**

There was no further items of importance to discuss.

#### **Public Comment**

Chair Avdis asked if there were any questions or comments from the public and there were none.

#### **Adjournment**

Chair Avdis declared the meeting adjourned at approximately 3:45 p.m.