

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



For the meeting held on  
Tuesday, February 23, 2016, at 2:00 p.m.  
Dept. of Food and Agriculture  
1220 N Street, Auditorium  
Sacramento, CA 95814

Chairman Peter Luchetti, acting for Ms. Avdis who was absent, 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:

Peter Luchetti, acting Chairman of the Board, Governor's Appointee  
Eraina Ortega, for the Director of the Department of Finance  
Brian Annis, for the Secretary of the California State Transportation Agency  
Alan Gordon, for the State Treasurer

The following Board member was absent:

Panorea Avdis, Chairman of the Board, Director, Governor's Office of Business & Economic Development

IBank staff members in attendance were:

Teveia Barnes, Stefan R. Spich, Nancee Trombley, Marilyn Munoz, Tad Thomas, and Fariba Khoie

**Information Item**

**2. Executive Director's Report**

Ms. Barnes began her Executive Director's Report by reporting to the Board recent promotions within IBank Staff: Margrit Lockett to Municipal Finance Specialist for the CLEEN Center and Chris Houlemard to Program Manager for the Small Business Finance Center. Ms. Barnes also reported the hiring of Lina Benedict as Municipal Finance Specialist for the CLEEN Center.

Ms. Barnes reported that the kick-off meeting for the ISRF 2016 Bonds (2016 Bonds) would be held on Monday, February 29<sup>th</sup>. The 2016 Bonds financing team will consist of Lamont Financial Services Corporation as Financial Advisor; Piper Jaffray & Co and JP Morgan Securities, LLC as Joint Senior Managers; Orrick, Herrington & Sutcliffe LLP as Bond Counsel; Stradling Yocca Carlson & Rauth as Disclosure Counsel; State Treasurer's Office as the Agent for Sale; and U.S. Bank National Association as Trustee. Chairman Luchetti inquired about the proposed sizing of the issuance. Ms. Barnes estimated the issuance to be in the range of \$100 to \$250 million depending on debt service coverage, revenue streams to support the issuance, and IBank's reasonable expectation of loans in the pipeline. Ms. Barnes noted that this decision would be made after analysis and discussion with the bond financing team. Mr. Luchetti noted that Ms. Barnes personal estimation of a \$200 million issuance reflected greater activity and velocity for the ISRF program, and that this represented a major turnaround for the performance of IBank.

Ms. Barnes then reported that IBank submitted a Budget Change Proposal, to be incorporated into the Governor's budget, for \$20 million in Cap and Trade funds to be used as seed money for the SWEEP Program. These funds would finance energy efficiency projects for municipalities,

universities, schools, and hospitals. Funds are contingent upon budget approval. Mr. Luchetti clarified that these funds would be treated as equity and could be leveraged at a ratio of approximately five to one to enable greater deployment of capital.

Ms. Barnes reported that Senator Hertzberg had introduced Senate Bill 936 to increase the leverage ratio for the Small Business Loan Guarantee Program from 5 to 1 up to 10 to 1.

Ms. Barnes reported on efforts to increase the export financing program and related activities under the Small Business Finance Center. Noting that the Financial Development Corporations were not active in this area of finance, Ms. Barnes reported that IBank was considering creating an Export Finance Participation Program along the lines of IBank's current small farm direct lending program. Mr. Luchetti noted from his experience that an export finance program could be very successful but would require specialized expertise and careful consideration. Agricultural exporters, notably rice growers, were mentioned as a model of successful export financing and a possible source of expertise and future collaboration. Ms. Barnes agreed and noted the importance of working with stakeholders during the development of the program.

Finally, Ms. Barnes reported on the press release and news conference celebrating the 1,000<sup>th</sup> loan under the State Small Business Credit Initiative (SSBCI). The recipient of the 1,000<sup>th</sup> loan was a female owned business, Modern Twist. Ms. Barnes specifically thanked State Treasurer John Chiang for attending the press conference and supporting the Small Business Loan Guarantee Program.

Mr. Gordon mentioned the State Treasurer's Office's efforts to improve transparency and reporting by joint powers authorities and conduit issuers and requested IBank staff to post its staff reports online along with the posting of the agenda prior to each month's meeting. Ms. Barnes agreed to post the staff reports on the website when those reports are sent to the Board for review.

The Board then discussed the legal restrictions that come with the use of Cap and Trade funds, including spending requirements for disadvantaged communities. Mr. Annis asked how IBank would meet these requirements. Ms. Barnes confirmed that IBank would comply with all such legal restrictions, including conforming revisions to the Criteria for the CLEEN Center. Ms. Barnes noted that IBank currently provided a subsidy, in the form of greatly reduced interest rates, to disadvantaged communities. Ms. Barnes and Mr. Luchetti then discussed the need to fund projects in these communities balanced against the requirement for credit worthy financings. Mr. Gordon then noted the importance of IBank's compliance with other Cap and Trade requirements, notably demonstrable reductions in greenhouse gasses. Ms. Barnes confirmed that compliance with these and other requirements will be tracked and reported consistent with best practices and accepted protocols.

## **Consent Item**

### **3. Approve minutes from the meeting held on December 15, 2015**

Chairman Luchetti called for questions or comments from the Board and the public. Mr. Gordon noted that as he did not attend the December 15 meeting he would abstain from the vote. In response to the Board's question, General Counsel Marilyn Munoz confirmed that the Board would still have a quorum to approve the minutes with three affirmative votes. Ms. Ortega then moved to approve the minutes, and Mr. Annis seconded the motion. Before voting on the matter, Chairman Luchetti asked for public comment. Hearing none, Chairman Luchetti asked the Secretary of the Board to take the vote. The Secretary of the Board took a roll call vote, and the Board unanimously approved the minutes with Mr. Gordon abstaining.

## Action Items

**4. Resolution No. 16-01 amending the Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund Program effective August 25, 2015 (Criteria) to amend the Criteria to conform with recent statutory changes to the IBank Act and delegate authority to the Executive Director regarding future statutory changes to the IBank Act.**

Chairman Luchetti introduced Resolution 16-01 as an amendment of the Criteria to conform to State law changes and asked Ms. Barnes to comment on the nature of the proposed changes. Ms. Barnes explained that the change to the Criteria was straight forward and related to goods movement infrastructure. Ms. Barnes further explained that although the Criteria provide that any subsequent law that addresses the Criteria will govern over the text of the Criteria, IBank desires to continuously revise the text of the Criteria to match the current letter of the law.

Ms. Barnes specifically mentioned that Resolution 16-01 also included a delegation of authority to permit IBank's Executive Director to make changes to the Criteria to conform with changes to applicable law without Board approval. The Board and Ms. Barnes discussed the delegation request. The Board questioned in what types of cases this delegated authority would be used. The Board stressed the importance of both public comment to and Board oversight of any proposed changes to the Criteria. There was then discussion of the costs and benefits that could result from this delegation. Mr. Annis proposed striking the Resolution's delegation of authority and approving only the changes to the Criteria. The Board and IBank General Counsel clarified that Mr. Annis' proposal did not affect existing delegated authority to the Executive Director, only the delegation currently proposed.

Chairman Luchetti then asked for public comment. Hearing none, Chairman Luchetti requested a motion to approve this action item, as amended by Mr. Annis. Ms. Ortega moved to approve Resolution 16-01, and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote, and the Board unanimously approved Resolution No. 16-01, as so amended.

**5. Resolution No. 16-02 approving lending Infrastructure State Revolving Fund Program funds to the Pico Water District in an amount not to exceed \$5,250,001 to finance an eligible project known as the Pico Water District Infrastructure Replacement Project located in various locations within the District's boundaries.**

Chairman Luchetti introduced Resolution 16-02 and noted the recent changes IBank staff made to Resolution 16-02 as reflected in a marked copy distributed to the Board. Mr. Luchetti asked IBank staff to comment on the changes. Ms. Barnes responded that the changes clarified the relationship between Pico Water District and Central Basin Municipal Water District, and confirmed that IBank financing will not involve funds related to Central Basin. Mr. Luchetti asked representatives of Pico Water District to approach the podium and to prepare for any questions the Board may have. Mr. Grajeda, the General Manager of Pico, addressed the Board. Mr. Gordon noted that the recent changes to Resolution 16-02 were intended to insulate IBank from any association or impact with the current audits and investigations into Central Basin Municipal Water District's financial and other dealings. Mr. Luchetti noted the high quality of the staff report and the strength of the analysis. Mr. Luchetti further noted that the issues related to Central Basin Municipal Water District had no material financial impact upon IBank's proposed financing to Pico.

Chairman Luchetti then asked for public comment. Mr. Grajeda first thanked the Board and IBank staff for their professional efforts in this transaction. Mr. Grajeda noted that Pico had recently passed

a rate increase that included an infrastructure surcharge on every meter to guard against the volatility risk of reduced water sales due to drought restrictions. Mr. Grajeda concluded by affirming that Pico's on-going relationship with Central Basin is limited to minor purchases of recycled water. After public comment, Chairman Luchetti requested a motion to approve this action item. Mr. Gordon moved to approve Resolution 16-02, and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote, and the Board unanimously approved Resolution No. 16-02.

**6. Resolution No. 16-03 approving the issuance of tax-exempt obligations, in an amount not to exceed \$17,000,000, to be sold to U.S. Bank National Association through a private placement and loaning the proceeds to San Francisco Waldorf School Association to finance an eligible project located in the City and County of San Francisco.**

Chairman Luchetti introduced Resolution 16-03 and asked for Board comment. Ms. Fariba Khoie, IBank's Bond Unit Manager, then introduced the SF Waldorf School's representatives. Noting no Board comments, Chairman Luchetti then asked for public comment. Hearing none, Chairman Luchetti requested a motion to approve this action item. Ms. Ortega moved to approve Resolution 16-03, and Mr. Gordon seconded the motion. The Secretary of the Board took the roll call vote, and the Board unanimously approved Resolution No. 16-03.

**Reporting/Non-Action Business**

Ms. Barnes reported on IBank's investment reports including IBank's Quarterly Investment Report for the Quarter Ending December 31, 2015, and the Small Business Finance Investment Report for the Quarter Ending December 31, 2015. The Board had no questions.

**Public Comment**

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

**Adjournment**

Chairman Luchetti called for a motion for adjournment. A motion was made and the roll was called. Following a unanimous vote the Chairman declared the meeting adjourned at approximately 2:50 p.m.