

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



For the meeting held on
Tuesday, December 15, 2015, at 2:00 p.m.
Dept. of Food and Agriculture
1220 N Street, Auditorium
Sacramento, CA 95814
and
Goldman Sachs & Co.
200 West Street
New York, New York 10282

Chairman 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, Chairman of the Board, Director, Governor's Office of Business & Economic Development
Eraina Ortega, for the Director of the Department of Finance
Brian Annis, for the Secretary of the California State Transportation Agency
Tim Schaeffer, for the State Treasurer
Peter Luchetti, Governor's Appointee, participated by phone from New York

The following Board members were absent:

None

The IBank staff members in attendance:

Teveia Barnes, William D. Pahland, Jr., Nancee Trombley, Marilyn Munoz and Diane Cummings

Information Item

2. Executive Director's Report

The Executive Director, Ms. Barnes, requested the Executive Director's Report be postponed to follow Agenda Item Number 3. Following the vote on item number 3, Ms. Barnes gave her Executive Director's Report, which consisted of advising the Board that on December 4, 2015, Governor Brown appointed Ms. Nancee Trombley as IBank's Chief Deputy Executive Director. Ms. Barnes also introduced to the Board the new IBank employees Chris Houlemard, Small Business Loan Guarantee Program Staff Loan Officer Specialist, and Judy Pernell-Stevens, Compliance Analyst. Ms. Barnes also advised the Board that IBank will be filling the vacant positions of Chief Compliance Officer and Program Manager for the Small Business Finance Center. Chairman Avdis congratulated Ms. Trombley on her appointment and welcomed Mr. Houlemard and Ms. Pernell-Stevens.

Consent Item

3. Approve minutes from the meeting held on November 17, 2015

Chairman Avdis called for questions or comments from the Board and the public. IBank's General Counsel, Ms. Marilyn Munoz, brought a typographical error in the minutes to the Board's attention. Ms. Munoz advised that in connection with the minutes for Action Item Number 4 (Resolution Number 15-15), the sentence reading "In the case of a default, IBank can accelerate rent" should

be revised to read, "In the case of a default, IBank **can not** accelerate rent." (emphasis added.) Ms. Ortega then moved to approve the minutes, as amended by Ms. Munoz, and Mr. Annis seconded the motion. Before voting on the matter, Chairman Avdis asked for public comment. Hearing none, Chairman Avdis asked the Secretary of the Board to take the vote. The Secretary of the Board took a roll call vote and the Board approved the minutes with Mr. Schaeffer abstaining as he was not in attendance at the November 17, 2015 Board Meeting.

Action Items

4. Resolution No. 15-19 approving the issuance of tax-exempt and taxable conduit obligations in an aggregate amount not to exceed \$9,500,000 to be sold through a private placement with the Bank of Marin and loaning the proceeds to United Cerebral Palsy of the North Bay, Inc. (UCPNB), a California nonprofit public benefit corporation to finance and refinance an eligible project located in Fairfield, California; Napa, California; Petaluma, California; and Rohnert Park, California for the benefit of UCPNB.

The Secretary of the Board read the Resolution. Chairman Avdis requested that IBank Bond Unit Manager, Fariba Khoie, introduce to the Board the representatives of United Cerebral Palsy of the North Bay, Inc. (UCPNB). Ms. Khoie introduced Mike Lisenko, UCPNB's President of Business Operations, WineBev Services, a social enterprise of UCPNB, and Josh Winter, UCPNB's financial advisor.

Mr. Lisenko explained that IBank's financing would enable UCPNB to better serve the disabled population in Solano, Napa, and Sonoma Counties and thanked the Board.

Mr. Schaeffer pointed out that this financing was structured as a private placement to a single bank and asked if there were restrictions against subsequent fractionalization of the debt and sale to third parties. Ms. Barnes replied that restrictions are in place and asked Ms. Munoz to elaborate. Ms. Munoz replied that IBank's policy is to impose certain restrictions on the transfer of private placement debt, including restrictions on sales below certain minimum denominations and a requirement the transferee execute an investor letter that includes certain IBank protections. Mr. Schaeffer asked whether the restrictions Ms. Munoz discussed were in place for this transaction, and Ms. Munoz confirmed they were. Ms. Barnes added that transfers must be to qualified institutional investors.

Chairman Avdis asked for public comment. Hearing none, Chairman Avdis requested a motion to approve this action item. Ms. Ortega moved to approve Resolution 15-19 and Ms. Annis seconded the motion. The Secretary of the Board took the roll call vote and the Board unanimously approved Resolution No. 15-19.

5. Resolution No. 15-20 approving an Infrastructure State Revolving Fund Program financing to the Coastside County Water District in the amount of \$5,628,000 to finance an eligible project known as the Coastside County Water District System Reliability Improvements Project in the City of Half Moon Bay, California and the County of San Mateo, California.

The Secretary of the Board read the Resolution. IBank Loan Unit Manager, Mr. Tad Thomas, introduced Mary Rogren, Assistant General Manager of Coastside County Water District (CCWD) and David Dickson, General Manager of CCWD. Mr. Thomas also advised the Board of an error in a year on page 4 of the Staff Report for Resolution 15-20. Page 4 incorrectly recited that CCWD has purchased water from the San Francisco Public Utilities Commission (SFPUC) since 1994. Page 4 should have recited that CCWD has purchased water from SFPUC since 1984. Mr. Thomas distributed a corrected page for insertion into the Staff Report reflecting the proper year of 1984. Mr. Thomas also advised that CCWD's financing request was for \$5,628,000.

Chairman Avdis asked for questions from the Board members. Ms. Barnes reminded Chairman Avdis that Mr. Dickson would like to make a statement to the Board and Chairman Avdis invited Mr. Dickson to do so. Mr. Dickson thanked the Board for the opportunity to speak and thanked IBank staff for its efforts to date.

Chairman Avdis asked whether CCWD's recent rate increases were due to state-mandated water use reductions. Mr. Dickson replied that the mandatory use reductions were the most significant factor for the recent rate increases; mandatory reductions resulted in lower water sales and therefore lower revenue, so increased rates were necessary to pay operating costs. However, other factors influenced rate increases such as programmed debt financing and inflation.

Mr. Schaeffer asked CCWD to confirm that rate increases to account for drought mitigation measures were the factor that caused its revenue to increase to approximately \$8.4 Million currently as compared to approximately \$5.5 Million five years ago. Mr. Dickson confirmed this was the case.

Mr. Schaeffer then asked if CCWD's rates were competitive with the rates of other similarly-sized districts in the same geographic location as CCWD. Mr. Dickson replied CCWD's rates were similar to the nearest district serving a similar customer base and that CCWD's customers' average water bill were consistent with the average water bill of other water districts. Mr. Thomas then advised the Staff Report include a table of comparative water district charges. Ms. Barnes then advised the Staff Report also disclosed that CCWD's rate increases over the last four years have been relatively modest.

Mr. Schaeffer then asked whether CCWD would characterize Mid Peninsula Water District as comparable to CCWD. Mr. Dickson replied that he believed Mid Peninsula Water District was comparable to CCWD.

Mr. Luchetti asked Mr. Dickson to project CCWD's future financing needs (excluding this financing) for capital expenditures over the next five to ten years. Mr. Dickson replied that future projected revenue is anticipated to be sufficient to finance the future projects in CCWD's capital improvement plan, therefore CCWD does not plan to incur future debt. However, if CCWD undertakes additional projects that are not part of its current capital improvement plan, such as a recycled water project, additional financing may be necessary.

Mr. Luchetti then requested an estimate for the recycled water project Mr. Dickson mentioned. Mr. Dickson replied between \$8 Million and \$10 Million.

Mr. Luchetti then pointed out CCWD's rate projections indicate that in five years CCWD's average bill will be \$93.58 and asked whether this would result in CCWD charging higher rates than other water districts in its peer group. Mr. Luchetti expressed a concern that CCWD's projected increases would result in rates higher than those of its peer group. Mr. Dickson replied that many water districts in its peer group obtain water from the SFPUC, so he expects their rates would increase at the same level as CCWD's rates.

Mr. Luchetti then asked whether Mr. Dickson believed the rates of other similarly situated water districts would roughly equal CCWD's water rates in future years because SFPUC water costs are uniform. Mr. Dickson confirmed this was his belief.

Mr. Luchetti then observed average monthly water charges that exceed 2% of median household income are considered aggressive, and that even the projected 2020 average monthly user charge of \$93.58 would not exceed the 2% of median household income threshold for CCWD's customers.

Mr. Luchetti then observed that while San Mateo County (the county where CCWD is located) has a relatively high medium household income, not everyone in San Mateo County is wealthy. Rate increases may have a disproportionate impact on CCWD's low-income customers. Mr. Luchetti then asked if CCWD had a senior citizen or low-income rate subsidy program. Mr. Dickson replied that CCWD did not and observed that Proposition 218 precluded CCWD from charging any customer more than the proportionate cost of providing service to that customer (a subsidy program would require CCWD to charge some customers more in order to charge others less). Mr. Dickson also stated that CCWD was concerned over the impact of rate increases on its low-income customers and was looking for a way to develop a subsidy program. Mr. Luchetti then observed that other communities have funded subsidy programs out of their general fund and that IBank is committed to the analysis of disparate impact on disadvantaged communities and to social equity.

Mr. Luchetti then noted that CCWD's water supply agreement with SFPUC expired in 2034, with a possible 10-year extension; however, the term of the proposed financing ended in 2045. Mr. Luchetti asked for a comment concerning the potential one-year gap between CCWD's contracted water supply term and the proposed financing term. This led to a discussion concerning the calculation of both terms and whether a gap actually existed. Mr. Dickson responded that CCWD holds a permanent water "supply guaranty" from SFPUC that survives the termination of any specific water supply contract between CCWD and SFPUC.

Chairman Avdis then asked Ms. Barnes to describe the risks associated with Proposition 218. Ms. Barnes asked Ms. Munoz to respond to this question. Ms. Munoz noted that Proposition 218 addressed many topics relating to public entities but explained that the aspect of interest with respect to the proposed financing had to do with entities, such as water districts, that imposed rates and charges on their customers. Ms. Munoz explained that various California court cases relating to Proposition 218 also placed restrictions on the method of allocating rates and charges between various types of customers or at different levels of service. Ms. Munoz indicated that CCWD believes it has complied with all applicable requirements of Proposition 218 when it set its rates, and that IBank would require CCWD to covenant that its rates would continue to comply with Proposition 218 in the future. Mr. Luchetti stated his belief that IBank's proposed rate covenant was an appropriate method of addressing potential Proposition 218 compliance risks.

Chairman Avdis then asked for public comment. Hearing no comment, Chairman Avdis entertained a motion to approve this action item. Mr. Annis moved to approve Resolution 15-20 and Ms. Ortega seconded the motion. The Secretary of the Board took the roll call vote and the Board unanimously approved Resolution No. 15-20.

Minutes
IBank Board Meeting
12-15-2015

Reporting/Non-Action Business

Chairman Avdis asked if any action was required on the Reporting/Non-Action Business item (independent auditor's report and letter to IBank Board from Macias Gini & O'Connell LLP). Ms. Barnes replied no action was required.

Public Comment

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

Adjournment

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