

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



For the meeting held on
Tuesday, November 17, 2015, at 2:00 p.m.
Park Tower
980 9th Street, 2nd Floor Conference Room
Sacramento, CA 95814

Chairman Panorea Avdis called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:03 p.m.

1. Call to Order and Roll Call

The following Board members were in attendance:

Panorea Avdis, 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 State Transportation Agency
Peter Luchetti, Governors Appointee

The following Board members were absent:

Alan Gordon, for the State Treasurer

The IBank staff members in attendance:

Teveia Barnes, Stefan Spich, and Marilyn Munoz

Information Item

2. Executive Director's Report

The Executive Director, Ms. Teveia Barnes, welcomed Ms. Avdis to the Board. Ms. Barnes noted the reports included in the Board package are for the year ending June 30, 2015. She also reported that the Comprehensive Annual Financial Report FY 2014-15 has been audited by an independent accounting firm and is available on the website. Ms. Barnes then gave a brief summary of the items coming before the Board.

Consent Item

3. Approve minutes from the meeting held on September 22, 2015

Chairman Avdis called for questions or comments from the Board and the public on the minutes of the September 22, 2015, IBank Board meeting. Hearing no comments, Chairman Avdis asked for a motion to approve this consent item. Ms. Ortega moved to approve the minutes and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote and the Board approved the minutes with Chairman Avdis abstaining as she was not in attendance.

Action Items

4. Resolution No. 15-15 approving a financing under the California Lending for Energy and Environmental Needs Center for the City of Huntington Beach in an amount not to exceed \$7,692,425 to finance an eligible project known as the City of Huntington Beach Streetlight Acquisition and Light-Emitting Diode (LED) Retrofit Project (Project) in the City of Huntington Beach.

The Secretary of the Board read the Resolution. Ms. Barnes asked the representatives of the City of Huntington Beach to speak to the Board

Antonia Castro-Graham, Energy & Sustainability Projects Manager, discussed the Project, including the energy savings, longer useful life which reduces maintenance costs, and greenhouse gas. Sunny Han, Finance Project Manager, discussed the City's finances, including treatment of the City's CalPERS obligations.

Mr. Luchetti asked Ms. Munoz to briefly discuss the proposed financing lease structure.

Ms. Munoz replied this is a structure we have used before and does not violate constitutional debt limit. The borrower leases the site to IBank and IBank leases back the site plus improvements. Rental payments equal debt service on the financing. In the case of a default, IBank can accelerate rent. The repayment is expected to be the General Fund.

Mr. Luchetti then questioned the City's representatives about its CalPERS obligations supported by the general fund and the City's approach to potential increases in these costs. The Finance Director explained the City's one plus five plan, a plan to actively reduce the City's unfunded pension liability by pre-paying \$1M a year.

Mr. Annis thanked the representatives for coming and noted that, as a representative of the Transportation Agency, Caltrans recently changed the lighting in several facilities which not only results in maintenance savings but also benefits safety issues.

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

5. Resolution No. 15-16 approving the issuance of tax-exempt conduit obligations in an amount not to exceed \$12,000,000 to be sold through a private placement with Umpqua Bank and loaning the proceeds to Theatre for Children, Inc., d/b/a The B Street Theatre, a California nonprofit public benefit corporation (B Street), to finance and refinance an eligible project located in Sacramento, California for the benefit of B Street.

The Secretary of the Board read the Resolution. Ms. Barnes introduced Bill Blake, Managing Director of B Street and Kirk Dowdell, B Street's Financial Advisor.

Mr. Blake thanked the Board and explained that the project's financing structure had been "recrafted" causing it to move from the Infrastructure State Revolving Fund (ISRF) to the Bond program. Ms. Barnes noted the importance of the B Street project to IBank and was pleased to see it proceed.

Mr. Annis asked about the status of the prior ISRF resolutions for B Street. Ms. Barnes replied Resolution 15-16 superseded all prior IBank ISRF resolutions for the B Street project.

Chairman Avdis asked for public comment. Hearing no comments, Chairman Avdis entertained a motion to approve this action item. Ms. Ortega moved to approve Resolution 15-16 and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote and the Board unanimously approved Resolution No. 15-16.

6. Resolution No. 15-17 approving the issuance of tax-exempt conduit industrial development bonds in an aggregate amount not to exceed \$3,810,000 to be sold through a private placement with People's Capital and Leasing Corporation and loaning the proceeds to Capital Corrugated, Inc., an S-Corporation (Capital Corrugated), to finance an eligible project located in Sacramento, California for the benefit of Capital Corrugated.

The Secretary of the Board read the Resolution.

Chairman Avdis asked Ms. Barnes to discuss the nature of IBank's Industrial Development Bond (IDB) program. Ms. Barnes replied that under IBank's conduit Bond Program, IBank has the ability to do several different types of issuances, including industrial development bonds (IDBs). She noted that IDBs are a financing mechanism IBank can use to support private enterprises and are a lower cost of financing for manufacturers. There followed discussion of attempts to reform IDBs at the Federal level.

Mr. Brett Smith, Controller for Capital Corrugated, and Mr. Walt Vennemeyer, their Financial Advisor, spoke before the Board. Mr. Smith noted the proposed financing will be invested in manufacturing equipment required to remain competitive and efficient. Mr. Smith noted Capital Corrugated had 130 employees and roughly 30 contractors.

Mr. Luchetti had a few questions regarding the structure of IDB financings. Ms. Munoz replied that IDBs are a form of conduit bond transaction that are quite similar in form and function to the IBank's 501(c)(3) conduit financings including the pass through of liability. Ms. Barnes added that IDB financings are rare for the IBank and that IBank has been marketing the IDB bond program to increase demand.

Chairman Avdis asked for public comment. Hearing none Chairman Avdis entertained a motion to approve this action item. Ms. Ortega moved to approve and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote and the Board unanimously approved Resolution 15-17.

7. Resolution No. 15-18 approving the issuance of tax-exempt conduit obligations in an aggregate amount not to exceed \$500,000 to be sold through a private placement with Farmers and Merchants Bank of Long Beach and loaning the proceeds to Pueblo Serra Worship Holdings, a California nonprofit religious corporation (Borrower), in connection with an eligible project located in San Juan Capistrano, California for the benefit of the Borrower.

The Secretary of the Board read the Resolution. Ms. Barnes asked the borrower to speak to the Board.

Mr. Rich Meyer, the school's Head Master and Mr. Sam Balisy, bond counsel, approached the podium. Mr. Balisy explained the history behind this financing, starting with a 2009 bank financing to help the school acquire their current facilities, converted in 2013 to a private placement financing, and to be amended under the proposed financing. The proposed restructuring of the outstanding loan will restructure the holders, including substitution of one bank for another, of the 2013 obligations and extend the maturity date, among other things.

Ms. Ortega asked if the new interest rate will have any cost saving benefits. Mr. Balisy replied the rates are similar.

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Mr. Meyer noted school enrollment has grown about 20 percent over the last year. The current financing will allow for the addition of further extracurricular activities such as theater, music, and art. This will help the school meet its 10 year Master Plan.

Mr. Luchetti questioned whether Mr. Balisy knew of any facts that might suggest that Wells Fargo Bank's decision not to participate in the restructuring indicated any financial or reputation risk for IBank. Mr. Balisy replied not to his knowledge.

Chairman Avdis asked for public comment. Hearing none Chairman Avdis entertained a motion to approve this action item. Ms. Ortega moved to approve and Mr. Annis seconded the motion. The Secretary of the Board took the roll call vote and the Board unanimously approved the Resolution 15-18.

Non-Action Items

Chairman Avdis asked if there were any questions regarding the Non-Action Business. Receiving none Chairman Avdis asked for public comments. Hearing none, she asked for a motion to adjourn.

Adjournment

Mr. Annis moved to adjourn and Ms. Ortega seconded the motion. Chairman Avdis declared the meeting adjourned at approximately 2:55 p.m. The Secretary of the Board took a roll call vote and the Board unanimously adjourned the meeting.