



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

For the meeting held on
Tuesday, May 20, 2014 2:00 p.m.
980 9th Street, Suite 900
Sacramento, California 95814

Vice Chairman Peter Luchetti called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at 2:02 p.m. Michael Rossi participated telephonically and abstained from voting.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Peter Luchetti, appointee of the Governor and acting Chairman of the Board
Eraina Ortega, represented the Director of the Department of Finance.
Blake Fowler, represented the State Treasurer.
Augustine Jimenez represented the Secretary of the Transportation Agency.

The following IBank staff members were in attendance:

Teveia Barnes, Ruben Rojas, Diane Cummings, John Belmont, Tad Thomas, and Karl Whittington.

Information Items

2. Executive Director's Report.

Executive Director, Ms. Teveia Barnes shared that the Board was up to date and there was nothing new to report.

Consent Item:

3. Approve minutes from the meeting held on February 25, 2014.

Vice Chairman Peter Luchetti called for questions or comments from the Board and the public on the minutes. Mr. Jimenez abstained from voting due to not being present at the last Board meeting. Hearing no others comments, Mr. Luchetti, entertained a motion to approve this consent item. Mr. Fowler moved to approve the minutes and Ms. Ortega seconded the motion to approve.

Action Item[s]:

4. Resolution: No. 14-04 approving lending Infrastructure State Revolving Fund Program funds to the City of Redlands in an amount not to exceed \$3,050,000 to finance a portion of the Pavement Accelerated Repair Implementation Strategy Project (Streets Project) located throughout the City of Redlands, CA 92373.

The City of Redlands requests Infrastructure State Revolving Fund Program (ISRF Program) funding to finance a portion of the City's Pavement Accelerated Repair Implementation Strategy (the PARIS Project), which represents approximately 10% of the PARIS Project. Through the

PARIS Project, the City plans to upgrade, reconstruct, and rehabilitate approximately 440 lane miles, or a little over 2/3 of all City streets, as prioritized by the City's Pavement Management Program (PMP). Priorities were based on the age of the streets, street condition, use of streets determined by vehicle miles traveled, and proximity to school or health facilities. The street network within the City includes over 292 street miles, or approximately 640 lane miles of paved streets. The Streets Project will address needed improvements for approximately 40 lane miles as identified in the PARIS Project.

Mr. Luchetti called for any questions or comments from the Board.

Discussion

- Mr. Jimenez asked if state funds are obligated for repayment.
 - Ms. Munoz responded and stated that the repayment was entirely local.
- Mr. Fowler requested confirmation that the interest rate was established via the utilization of the Board approved methodology.
 - This was confirmed by Ms. Barnes.
- Mr. Fowler requested clarification on the makeup of the IBank's executive committee.
 - Ms. Barnes shared that the committee was made up of herself, Ruben Rojas, Marilyn Munoz, and Diane Cummings, and stated that the committee meets monthly to discuss projects, rates, and other issues of importance to the IBank.
 - Ms. Barnes added that the rate for the Redlands loan was established April 1, 2014, and was not changed because of the internal decision to defer the loan to a later Board meeting.
- Mr. Fowler requested clarification regarding the ability of the IBank's loan to meet the Additional Bonds Test to be on parity with the City's 2013 bonds and page 15 of the staff report (Projected Cash Flow and Debt Service Analysis) which displays the adjustment for rate increases and the debt coverage requirement of 1.25:1 for the 2013A Bonds.
 - Ms. Barnes shared that due diligence was conducted by IBank staff who verified that appropriate debt coverage was met.
 - Ms. Barnes further explained that the analysis was completed on a prospective basis since the IBank loan would be additional indebtedness.
 - Ms. Cummings stated that the rate increases were also applied retroactively and confirmed that the required debt coverage was met.
- Further discussion pertaining to the method of analysis (retroactive/prospective analysis) was addressed by IBank General Counsel, Marilyn Munoz, who pointed out that regardless of the interpretation of the appropriate analysis methodology, the City of Redlands satisfied the debt service coverage requirement associated with the City's 2013 Bonds and thus, the City is in compliance under both scenarios.
- Mr. Fowler commented that previous versions of the staff report did not address issues pertaining to prevailing wages, prequalification of contractors, etc. The current staff report addresses the issue of prevailing wage but not of prequalified contractors.
 - Ms. Munoz stated that all agreements with borrowers always require compliance with all laws and regulations. Ms. Munoz further explained that all conditions that are considered standard will not be detailed in staff reports but remain intact.

- Mr. Luchetti suggested that a “Board Dropbox” be created and that redlines, comparing borrower loan agreements to the standard documents, be available for review.
- Ms. Munoz responded that there are no “standard” loan agreements and that instead, loan agreements are individually customized. Ms. Munoz explained the necessity of this approach because the terms of each loan agreement depend on the type of entity of the borrower (City, County, Special District, etc.), its legal status, its authority to incur debt, and the legal limitations on the proposed sources of repayment.
- Ms. Munoz explained that, for the foregoing reasons, it is appropriate for only those special terms and conditions that are necessitated by the specifics of the proposed loan be highlighted as part of Staff’s recommendations to the Board. She commented that it sounded like all were now in agreement as to highlighting only special terms and conditions.
- Ms. Barnes agreed in the future to attach a list of standard terms and conditions to the staff report.
- Mr. Fowler commented that he had submitted additional questions which had not been addressed and therefore will be unable to vote in favor of the loan.
- Mr. Luchetti commented that he is in full support of the project and that this type of loan represents the type of loan that the IBank should be approving.
- Mr. Luchetti commented regarding the rate increases, and joining in dialogue with the City of Redlands (Chris Diggs) representatives, concluded that rate increases implemented historically by the City did not result in a decrease in usage or revenue.
- Mr. Luchetti inquired about the 218 process. Public discussion with Mr. Diggs concluded that the public is in support of the project and the rate increase.

Vice Chairman Luchetti called for any additional questions or comments from the Board or the public. Hearing none, he entertained a motion to approve Resolution No 14-04. Mr. Jimenez seconded the motion. The Resolution was approved by: Mr. Luchetti, Ms. Ortega, and Mr. Jimenez. Mr. Fowler voted nay.

5. **Resolution No. 14-05– Learning with a Difference, Inc. dba Westmark School-** authorizing the issuance of tax exempt obligations in an amount not to exceed \$7,500,000 in a private placement to First Republic Bank to provide financial assistance for eligible projects and refund existing tax-exempt bonds for the benefit of Learning with a Difference, Inc. dba Westmark School, a California nonprofit corporation.

If approved by the Board, the IBank will issue up to \$8.5 million in tax-exempt obligations in a private placement with First Republic Bank. The proceeds of the Tax-Exempt Obligations will be used to (1) refund tax-exempt Variable Rate Demand Revenue Bonds, Series 2006 issued by the IBank November 17, 2006, outstanding in the aggregate principal amount of approximately \$6,200,000, (2) fund various capital improvement projects, (3) pay transaction costs and (4) acquire an additional property using \$1,000,000 to fund a portion of the purchase.

Mr. Luchetti called for any questions or comments from the Board.

Discussion

- Mr. Jimenez inquired about the status of First Republic’s letter of commitment for the full amount of the loan.

- Dan Bronfman, advisor for Westmark, confirmed First Republic's commitment for the full amount of the loan.
- Mr. Fowler inquired about the eligibility of the residence for the Head of the School given the prohibition from financing housing in the IBank's enabling statute.
 - Ms. Munoz stated that the acquisition was within the parameters of the IBank Act.
- Mr. Fowler expressed concern about the increased amount of the loan, as compared to that noticed in the Agenda. Mr. Fowler shared that the STO has been advised by the Office of the Attorney General that a change in the loan amount exceeding 10% without advance public notification would invalidate the notice already given and thereby violate the Bagley Keene Act.
 - Ms. Ortega expressed a similar concern.
 - Ms. Munoz explained that, unlike the financing authorities at the STO, by virtue of the IBank Act, the IBank does not rely on the delivery of Attorney General opinions for its transactions. Rather, as the counsel who delivers the legal opinions for IBank bonds and IBank actions, she reached the legal conclusion that the notice already provided met the requirements of the Bagley Keene Act and that the increase in the amount of the transaction did not invalidate the notice. She added that, given her conclusion, she had no reservations on the subject and was prepared to deliver her opinion for the transaction in order to keep it on track.
 - Mr. Sam Balisy, special counsel for the Westmark transaction expressed his agreement of Ms. Munoz's interpretation and findings. He explained that the Bagley Keene Act provisions only require a brief description of agenda items in the notice and that it is widely accepted in the municipal bond legal community that certain changes to the notice, after its posting, do not violate Bagley Keene. He stated that changes to the loan amount were among those that the legal community did not deem to be problematic and suggested that the IBank could even opt to not provide any loan amounts in its notices.
- Ms. Ortega, citing that the amount of the bond and use of the proceeds had changed, expressed that in her opinion, the revised staff report had significantly changed from the original version.
 - Ms. Munoz suggested that the Board consider having the item come back at a later date.
 - Mr. Rossi suggested that the original document in the amount of \$7,500,000 be considered for approval and the balance be re-noticed and resubmitted at a later date for consideration.
 - Mr. Balisy stated that the approach proposed by Mr. Rossi would be acceptable to Westmark.
 - Ms. Ortega explained that her concern was not directed at Ms. Munoz's interpretation of the notice requirements or anything to do with the nature of the bonds, but rather a desire to avoid the perception that not all procedural requirements have been satisfied, in order to preserve the integrity of the transaction.
 - Ms. Barnes proposed that the Board consider the option to approve the original amount of \$7,500,000 and have Westmark return to the next Board meeting for approval of the outstanding amount.
 - Discussion continued regarding the date of the next Board meeting.

- Mr. Rossi summarized that two Board members had expressed reasonable concerns regarding the notification issues.
- Mr. Jimenez expressed that he did not have any concern over the legal issues of the transaction or notification.
- Mr. Rossi suggested the entire transaction be re-noticed according to Bagley Keene and heard at the next Board meeting.
- Ms. Barnes proposed May 30, 2014, as the next available Board date.
 - All in attendance agreed to the date.
 - The Board members agreed to defer consideration of the Westmark transaction to May 30, 2014. Mr. Rossi could not vote.
- Mr. Fowler expressed concern that the staff report did not have an analysis, conclusion, or comment regarding the three years of audited financial statements attached to the staff report. Mr. Fowler recommended that at a future Board meeting an item be scheduled to discuss the nature of the due diligence on Bond issuances.
 - Mr. Luchetti suggested that the conversation be expanded to include credit analysis and write ups.
- Mr. Rossi complemented IBank staff on the quality of the staff reports.
 - Ms. Barnes complimented and thanked Diane Cummings and John Belmont.

Reporting\Non-Action Items:

IBank Monthly Investment Transaction Reports

Mr. Luchetti called for any questions or comments from the Board or the public. Hearing none, he moved on to the next item.

Other Non-Action Business

Mr. Luchetti called for any questions or comments from the Board or the public. Hearing none, he moved on to the next item.

Public Comment

Mr. Luchetti called for any questions or comments from the Board or the public, there were none.

Adjournment

Mr. Luchetti declared the meeting adjourned at 3:23 p.m.