

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
(IBank)
INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF)**

STAFF REPORT

Issue:

Staff of the Infrastructure State Revolving Fund Program (ISRF Program) recommends the IBank Board of Directors (Board) delegate back to the Executive Director (Director) the authority to make changes to the form of application for the ISRF Program (ISRF Application). Delegating this authority will permit the Director flexibility to quickly implement new or revised statutory requirements and suggested Board and stakeholder improvements to the review process.

Background:

The Bergeson-Peace Infrastructure and Economic Development Bank Act (Act) requires IBank to establish Criteria, Priorities and Guidelines (Criteria), approved by the Board, to be used for the selection of projects requesting financial assistance. The Act does not require the IBank Board to specifically approve the ISRF Application that serves as a source document for collecting information required to administer the program. In October 2013, as part of its amendment to the Criteria, the Board added a new requirement that the Director have the ISRF Application approved by the Board. This requirement makes it difficult for the Director to administer the ISRF program, as even the smallest change in the ISRF Application requires the Board's approval. For example the ISRF Application does not collect all the information currently required by the Act due to recent statutory changes relating to the information that IBank is required to include in its annual report to the Legislature. In addition, the ISRF Application currently requires three years of financial statements from applicants, but cannot be changed to require five years, as previously suggested by a Board member, without Board approval. Moreover, the requirement for Board approval could be interpreted as not allowing the Director any authority to change the ISRF Application and implement any other improvements suggested by the Board or applicants or other stakeholders without first seeking formal Board approval. Delegating the authority to change the ISRF Application back to the Director would allow the Director and Staff to administer and implement the ISRF Program more effectively and efficiently and be more responsive to the Legislature and IBank's stakeholders.

On July 16, 2014 the IBank Act was amended by AB 2749 that was signed into law as Chapter 132, of 2014. The Act previously required IBank to annually submit to the Governor and Joint Legislative Budget Committee a report of its activities each fiscal year. AB 2749 amended the Act to have IBank submit the annual report to the Governor and the entire Legislature. The legislation also required additional information about the results of IBank's activities. Specifically, AB 2749 amended Government Code Section 63035 that requires IBank to report each November 1, on the bank's activities

relating to the infrastructure bank fund and programs during the past fiscal year. The report requests information about the infrastructure bank fund balance, moneys that have been encumbered, moneys allocated, any repayments, and other sources of revenues received during the fiscal year of which most of the information can be obtained by existing IBank records. AB 2749 also requires information about the ISRF Program to be obtained from ISRF applicants awarded ISRF funding:

- 1) the number of jobs created and retained,
- 2) the environmental impact of the project,
- 3) the economic value provided to the State, and
- 4) the amount of other public and private funds leveraged.

Prior to the enactment of AB 2749, IBank had no need to request this information. Revising the ISRF Application to require such information would allow IBank to collect the data from the borrower up front. The legislation requires this information to be collected by IBank and posted to IBank's website each year.

Delegating authority back to the Director to revise the form of ISRF Application will also allow the Director to make changes recommended by the Board without having to wait to seek formal Board approval at a Board meeting. Such recommendations include the recent suggestion that potential applicants to the program submit five (5) years of audited financial statements instead of three (3) years as currently required in the ISRF Application. This recommendation was made during a discussion at the August 19, 2014 Board meeting when Resolution No. 14-11 authorizing a \$12 million loan for the City of Pittsburg was under consideration.

Recommendation:

Staff recommends the IBank Board of Directors delegate back to the Executive Director the authority to make changes to the form of ISRF Application to eliminate the need for repeated formal actions by the Board of Director's each time modifications are required or beneficial to the ISRF program.