

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
(IBank)**

STAFF REPORT

Issue: Staff requests the approval of the IBank Board of Directors (Board) to retain the services of Macias, Gini & O'Connell LLP (MGO), a certified public accounting firm, to act as IBank's auditor for fiscal years 2016-2017 and 2017-2018. Further, IBank Staff requests that the Board authorize a contract for auditing services between IBank and MGO.

Background: IBank had issued from time to time revenue bonds, including its (i) Series 2014A Infrastructure State Revolving Fund Revenue Bonds totaling \$95,960,000 (Series 2014A Bonds), (ii) Series 2015A Infrastructure State Revolving Fund Revenue Bonds totaling \$90,070,000 (Series 2015A Bonds) and (iii) Series 2016A Infrastructure State Revolving Fund Revenue Bonds totaling \$141,600,000 (Series 2016A Bonds), to provide funding for the Infrastructure State Revolving Fund (ISRF) Program (collectively, Series 2014A Bonds, Series 2015A Bonds and Series 2016A Bonds are the ISRF Bonds). To remain in compliance with the continuing disclosure agreements entered into by IBank in conjunction with the issuance of the ISRF Bonds, IBank is required to provide annual audited financial statements to the ISRF Bonds trustees and to a nationally recognized municipal securities information repository so long as the ISRF Bonds remain outstanding.

IBank is required by its Audit Procurement Policy (Audit Procurement Policy) adopted by the IBank Board on April 24, 2007 to actively seek the participation of qualified firms, including the then current auditor, to respond to a Request for Qualifications (RFQ) seeking proposals from auditing firms interested in providing auditing services to IBank. In accordance with the Audit Procurement Policy, IBank issued its RFQ on March 13, 2017. MGO was the auditing firm selected pursuant to the Audit Procurement Policy and the RFQ.

Selection Process: On or about March 13, 2017 IBank distributed the RFQ directly to the 11 firms listed on Exhibit A and posted the RFQ, Exhibit B, to IBank's website and the State of California Contracts Register. Macias Gini & O'Connell LLP and Vavrinek, Trine, Day & Co., LLP were the only respondents to the RFQ received by IBank. Based upon the selection criteria specified in the RFQ, which prescribes the auditing firm's required minimum qualifications and experience, including without limitation, experience auditing financial statements for the State of California or at least one State agency, department, board or authority in the last three years, the financial audit performed must have covered revenue bonds or general obligation bonds issued by a government entity, the competitiveness of the proposed fees, and the overall quality of the written response to the RFQ, IBank selected Macias Gini & O'Connell LLP to provide auditing services to IBank for the fiscal years ending June 30, 2017 and June 30, 2018.

Scope of Services: The Scope of Services, including without limitation, the completion of IBank's Comprehensive Annual Financial Report (CAFR) with audited financial statements beginning with the 2016-2017 fiscal year, is provided in the RFQ. MGO will prepare and express an opinion on the financial statements of IBank, a description of its general business activities, and the financial position of the California Infrastructure and Economic Development Bank Fund

(CIEDB Fund) and the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund) (collectively, the CIEDB Fund and the Guarantee Trust Fund are the Initial Funds), and fairly present IBank’s financial statements in conformity with the accounting principles and auditing standards generally accepted and the standards applicable to financial audits contained in Government Auditing standards used by the Comptroller General of the United States of America. Further MGO will include such tests of the accounting records and such other auditing procedures as shall enable the auditors to express an opinion as to the accounts and financial statements. In fiscal years 2016-2017 and 2017-2018, MGO’s audit will include the Small Business Loan Guarantee Program Trust Funds, the Farm Loan Program Funds and in 2017-2018 the Jump Start Loan Program Funds (Small Business Funds) (collectively, the Initial Funds and the Small Business Funds are the IBank Funds).

Firm’s Qualifications: MGO was founded in 1987 and is a professional public accounting firm holding a valid certification in the State of California, recognized within the accounting, tax and consulting industry and a member of the American Institute of Certified Public Accountants. MGO has ten offices throughout the State and a staff of over 250 full-time professionals. The firm has served as the independent auditor for the following State clients over the past three years, California Public Employees Retirement System, Department of Water Resources Electric Power Fund, California Institute for Regenerative Medicine, California Department of Technology, and the California Prison Industry Authority. MGO has been the auditor for IBank for the last six years.

Competitive Fees: MGO's fees for performing the scope of services outlined in the RFQ will be based on the all-in fixed amount for each year's audit. The cost includes indirect and direct costs, start-up costs and expected out-of-pocket expenses. The total all-inclusive fee schedules are as follows:

	Fiscal Year 2016/2017	Fiscal Year 2017/2018	Total
Audit Initial Funds	\$58,000	\$58,000	
Audit Small Business Funds	\$39,000	\$29,000	
Management Letter	\$1,000	\$1,000	
Total Fee Proposal	\$98,000	\$88,000	\$186,000

MGO’s prior total fees was \$155,000. MGO’s fees will be paid from accounts held by the trustee for the ISRF Program Bonds.

Recommendation: Staff recommends approval of Resolution 17-10 appointing Macias Gini & O’Connell LLP to act as IBank’s auditor for fiscal years 2016-2017 and 2017-2018 and authorizing the Executive Director to execute a contract on behalf of IBank for auditing services with MGO for this period that is consistent with the terms of this Staff Report and the RFQ.

Staff Report Prepared: Teveia R. Barnes, Executive Director

April 13, 2017

Exhibit A
Accounting Firms

1. CliftonLarsonAllen LLP
2. Crowe Horwath LLP
3. Deloitte & Touche LLP
4. Ernst & Young
5. Gilbert Associates, Inc.
6. Grant Thornton
7. KPMG LLP
8. Macias, Gini & O'Connell LLP
9. PricewaterhouseCoopers LLP
10. Richardson & Company
11. Vavrinek, Trine, Day & Co. LLP

Exhibit B

Request for Qualifications
Auditing Services March
13, 2017