MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

For the meeting held on
Tuesday, June 26, 2018 at 2:00 p.m.
1325 J Street, Suite 1300
Sacramento, California 95814

Acting Chair Augustin Jimenez called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:00 p.m.

1. Call to Order and Roll Call

The following Board members were in attendance:
Acting Chair, Augustin Jimenez for the Secretary of the California State Transportation Agency,
Steve Juarez for the State Treasurer’s Office, and
Jacqueline Wong-Hernandez for the Director of the Department of Finance

IBank staff members in attendance were
Teveia Barnes, Stefan Spich, Nancee Trombley and William Pahland

Information Item

2. Executive Director’s Report

Ms. Barnes began the Report by welcoming the Board to IBank’s new 13th floor office. She noted that larger Board meetings would continue to be held on the 17th floor, while smaller meetings would occur in IBank’s office. Each would be noticed appropriately and have proper signage. Ms. Barnes then provided an update on the Jump Start program. She noted that no new loans had been made in the past month, but that 8 new businesses had received 24.5 hours of technical assistance this month, bringing the totals to 155 businesses provided with 451 total hours of technical assistance.

Consent Item

3. Approve minutes from the meeting held on May 22, 2018

Acting Chair Jimenez asked for comment on the Minutes from the Board or the public. Hearing none, Mr. Juarez made a motion to approve the Minutes and Ms. Wong-Hernandez seconded. Acting Chair Jimenez stated he had consulted with Christine Inouye, who was present at the May Board meeting, and was prepared to vote. The Board members voted unanimously to approve the May 22, 2018 Board Meeting Minutes.

Action Items

Mr. John Belmont, Municipal Finance Specialist, introduced Resolution No. 18-08. Mr. Belmont then introduced the Academy’s representatives: Mr. Ryan Diamond, Director of Finance at the Academy, Mr. Sean Tierney, Bond Counsel at Hawkins Delafield & Wood LLP, and Doug Brown, Director at Wells Fargo Securities LLC. Acting Chair Jimenez thanked the representatives for attending and then opened the discussion for Board questions.

Mr. Juarez began by asking how the Academy was prepared to deal with the risk of an interest rate increase prior to closing. He noted that, due to the variable rate structure, a rate increase may negatively impact the financing’s expected savings. Mr. Doug Brown responded that the 2008 Bonds to be refunded were unhedged variable rate bonds, so the interest rate risk existed regardless. He further noted the new structure of the 2018 Bonds would take into account the increase in corporate tax rate and avoid the gross-up provisions of the 2008 Bonds, making for a more efficient financing. Mr. Juarez then asked about the Academy’s plans to issue a series of fixed rate 2018 Bonds. Mr. Brown responded that some members of the Academy’s Board had expressed interest in a long term fixed rate approach, and they wanted the 2018 Bonds to have that option built in. Mr. Brown noted that a final decision on what form of bonds to issue had yet to be made and that the fixed rate 2018 Bonds might ultimately not be issued. Mr. Juarez concluded by requesting the Academy report back to the IBank Board on the actual savings realized. Mr. Brown said that after pricing on July 24, this information would be available for reporting. Ms. Barnes noted this information would also be reported in IBank’s Annual Activity Report.

Acting Chair Jimenez asked the Academy’s representatives what happened to the Academy’s temporary facilities, used during the renovation project. Mr. Ryan Diamond responded the building had been a rental property and was now occupied by a technology company.

Acting Chair Jimenez thanked the Academy’s representatives. After asking for and hearing no public comment, Mr. Juarez moved to vote, which was seconded by Ms. Wong-Hernandez. The Board voted unanimously to pass Resolution 18-08.

5. Resolution No. 18-09 approving the issuance of tax-exempt obligations, in an amount not to exceed $10,000,000, to be sold to Wells Fargo Bank, N.A., through a private placement and loaning the proceeds to The Painted Turtle to refund the outstanding California Statewide Communities Development Authority Variable Rate Demand Revenue Bonds (The Painted Turtle Project) Series 2003 and used to finance an eligible project located in the County of Los Angeles.

Mr. John Weir, Municipal Finance Specialist, introduced Resolution No. 18-09. Mr. Weir then introduced the borrower representatives, appearing by phone: Mr. Chris Butler, CEO of the Painted Turtle, and Ms. Jessica Shaham, Bond Counsel at Kutak Rock. Acting Chair Jimenez thanked Mr. Butler and Ms. Shaham for attending and opened the discussion for Board questions.

Mr. Juarez asked about the risk of an interest rate increase and what impact that would have on the financing’s expected savings. Mr. Juarez also asked for a report back to the Board on the savings actually realized. Mr. Butler responded that they would report back and that the Painted Turtle had strong reserves and solid financial advisors to help minimize interest rate risks. Mr. Juarez asked whether the risk of an interest rate increase could negate expected savings, greatly reducing the benefit of the transaction. Mr. Butler responded that Painted Turtle had a long relationship with their lender, Wells Fargo, and
was confident that the transaction could be renegotiated as necessary to respond to market developments.

Acting Chair Jimenez asked about the original transaction’s timeline in 2017 and why the lender had advanced the transaction despite the need for further environmental review. Mr. Stefan Spich responded that the transaction had originally come to the Board as part of the numerous transactions approved in late 2018 in advance of expected federal tax reforms. He noted many of these projects had their timelines adjusted to account for the possible impacts of tax reform. Ms. Jessica Shaham noted that the routine Phase I review had revealed the need for a more comprehensive Phase II review and further remediation work, which was now complete. Acting Chair Jimenez asked what the environmental reports had concluded. Ms. Barnes provided the Board with copies of the Underground Storage Tank Removal Report from Partner Engineering and Science, Inc. Ms. Barnes noted this report concluded that after removal of the tanks, along with other remediation efforts, the environmental concerns had been addressed. Acting Chair Jimenez asked whether this report included any certification as to the condition of the project’s property. Ms. Shaham responded that the Painted Turtle could certify as required, but that generally the conclusions of the report are just accepted. Ms. Barnes added that IBank was indemnified against environmental liability under the transaction documents. Acting Chair Jimenez noted this satisfied his concerns.

Acting Chair Jimenez thanked the Painted Turtle’s representatives and then asked for any further Board questions or public comment. Hearing none, Ms. Wong-Hernandez moved to vote, which was seconded by Mr. Juarez. The Board voted unanimously to pass Resolution 18-09.

**Reporting/Non-Action Business**

There were no further items of importance to discuss.

**Public Comment**

Acting Chair Jimenez asked if there were any questions or comments from the public. Mr. Juarez noted the existence of Senate Bill 551 which proposed to move a program from the State Treasurer’s Office to IBank. Mr. Juarez wanted to discuss SB 551 with the Board and asked for the Board to request IBank staff prepare an analysis on the impacts of this bill upon IBank’s workload and staffing for the July meeting. Ms. Barnes responded that IBank had remained at this time less than neutral, no position, on this bill and made every effort to be transparent, including informing the Treasurer’s office of meetings she had had related to the bill. She noted IBank’s role had been strictly limited to providing technical assistance. Ms. Barnes noted that such requests for legislative analysis generally came from the Governor’s Office and IBank would need to consult with the Governor’s Office of Business and Economic Development (GO-Biz) prior to any such report to properly understand IBank’s role in such analysis. Mr. Juarez responded he wanted the Board to make this request for an analysis. Acting Chair Jimenez noted the Board was considering the request currently. Ms. Wong-Hernandez asked how IBank regularly undertook the legislative analysis process. Ms. Barnes responded that IBank has always worked through GO-Biz on legislative matters that affected IBank and it was not IBank’s practice to consider legislative analysis matters at the Board level. Acting Chair Jimenez noted that in his time on the Board, including as Chair of the IBank Board in the late 2000’s, the Board had never asked for or requested legislative analysis be undertaken. Mr. Juarez responded that just because it was a new process didn’t mean it was prohibited. Ms. Wong-Hernandez noted the importance of staying within the existing administrative structure and respecting the role of GO-Biz as the lead agency on legislative affairs. Ms. Wong-Hernandez noted she had previously served as Legislative Director for the Department of Finance and that they had always worked with GO-Biz directly on legislative matters. Ms. Barnes confirmed that GO-Biz acts as the principal in legislative affairs and that she would want to consult with
GO-Biz to maintain proper administrative function. Mr. Juarez then noted that various parties working on SB 551 had represented that they had “collaborated” with IBank on the bill and its language, and asked how IBank responded to these claims. Ms. Barnes responded that she had not collaborated with any parties working on SB 551. Mr. Juarez recommended that Ms. Barnes listen to the recordings of the hearing. Ms. Barnes stated that GO-Biz and IBank had been unable to locate any such recordings and she would welcome an opportunity to review the recordings of the hearing where these claims were made. Acting Chair Jimenez asked whether there was an official action before the Board. Hearing no second on Mr. Juarez’s motion, the matter was concluded. No other public comments were made.

Adjournment
Acting Chair Jimenez declared the meeting adjourned at approximately 2:24 p.m.