

# CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

## BOND FINANCING PROGRAM STAFF REPORT

### INCREASING IBANK CONDUIT BOND PROGRAM FEES

#### ISSUE

IBank seeks to increase the fees it charges to applicants under its Bond Financing Program. The Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the "Act") governs the California Infrastructure and Economic Development Bank ("IBank") and IBank is authorized under the provisions of the Act to issue tax-exempt revenue bonds to provide financing and refinancing for eligible projects located in the State of California (State). The Act authorizes IBank to charge, and equitably apportion among sponsors and participating parties, IBank's administrative costs and expenses incurred in the exercise of its powers and duties conferred by the Act (Section 63025.1.(o)).

IBank is financially self-reliant and (except for \$128,000 for 2 of the 4 members of the Small Business Finance Center) does not receive any annual state appropriations for its direct benefit for its programs. In recent years, \$861,000 has been appropriated to be used exclusively by the financial development corporations under the Small Business Finance Center. IBank's operating expenses are paid primarily from the administrative fees collected for the services IBank provides under its various Programs, including the Bond Financing Program.

IBank's Bond Financing Program's fee schedule for conduit bonds is divided into three different fee categories: the Application Fee, the Issuance Fee and the Annual Fee. These fees have not been increased since 2001. IBank seeks to increase the Bond Financing Program fees for its various Bond Programs. The new Amended Fee Schedule, attached hereto as **Attachment 1**, if approved by the Board, will be effective as of July 1, 2017.

#### BACKGROUND

IBank was established in 1994 with the enactment of AB 1495 (Chapter 94, Statutes of 1994) and SB 101 (Chapter 749, Statutes of 1994) to finance public infrastructure and economic development with broad authority to, among other things, issue tax-exempt and taxable revenue bonds. Since its inception IBank has not received any State funding for its Bond Financing Program. IBank received an initial \$50 million appropriation for its Infrastructure State Revolving Fund ("ISRF") Program in the State's 1998/99 budget. Soon thereafter IBank received an additional \$425 million in the 1999/00 State budget to provide low cost financing to public agencies for infrastructure projects. \$293 million of the amount appropriated in 1999/00 State budget was redirected back to the General Fund in the 2001/02 and 2002/03 State budgets to assist the State during these budget deficit periods. Also, pursuant to IBank Resolution No. 03-16 adopted on May 28, 2003, \$20 million of the remaining appropriated funds were transferred from IBank's ISRF Program to the Guarantee Trust Fund to implement a guarantee program in order to assist the Imperial Irrigation District ("IID") issue revenue bonds to finance a proposed Water Conservation Project (the "IID Guarantee Program"). In light of IBank's return of \$293 million to the General Fund and the \$20 million transferred to the IID Guarantee Program, IBank

has received budget appropriations of only \$162 million since its establishment 23 years ago. Importantly, none of this \$162 million has been used for IBank's Bond Financing Program.

IBank has been financially independent from the State budget and self-reliant since the initial appropriations. IBank financially supports its administration and operations solely through fees, investments earnings and interest it collects on the low-cost financial assistance it provides under the ISRF and CLEEN Programs.

IBank's existing programs have steadily grown, and new programs have been introduced under IBank's current leadership. As a result, IBank realized the need to expand its workforce and requested 11 new staff in the State's Budget 2016-17 ("Budget"). The Budget approved the addition of 11 staff without any budget appropriation from the general fund. IBank's budgeting department requested authority to spend just under \$1.3 million per year as a result of the increase in staff, and an additional \$220,000 one-time cost to facilitate space and equipment for those staff, which was also approved in the Budget. IBank has successfully added 5 new staff to its team during FY 2016-17. The additional staff will be added after IBank has secured a lease for a larger space.

Under its Bond Financing Program, IBank issues the following four categories of conduit bonds: 501(c)(3) Bonds, Industrial Development Bonds ("IDBs"), Exempt Facility Bonds and Public Agency Revenue Bonds ("PARBs"). Since 1995 IBank has issued 418 tax-exempt and taxable revenue bonds for various projects, with an aggregate par amount of over \$37.7 billion.

## **BOND FINANCING PROGRAM CURRENT FEE SCHEDULE**

The following is IBank's current fee schedule for 501(c)(3) Bonds, IDBs, and Exempt Facility Bonds transactions:

- **Application Fee:**
  - A \$1,500 one-time, non-refundable, Application Fee that conduit borrowers pay when submitting their Application.
- **Issuance Fee:**
  - An Issuance Fee that is payable upon closing and is calculated based on the following schedule:

<b><u>Issuance Amount</u></b>	<b><u>Fee</u></b>
○ Up to \$10 million	0.25%
○ \$10 to \$15 million	\$25,000, plus 0.15% of the amount above \$10 million
○ \$15 to \$20 million	\$32,500, plus 0.10% of the amount above \$15 million
○ \$20 to \$95 million	\$37,500, plus 0.05% of the amount above \$20 million
○ Over \$95 million	\$75,000

IBank currently pays a portion of its Issuance Fee to the State Treasurer’s Office (“STO”) for public offering bond transactions in which STO is IBank’s Agent for Sale. STO’s Agent for Sale Fees are:

<u>Par Value</u>	<u>STO Fee</u>
○ Up to \$5 million	\$4,000
○ \$5 million - \$40 million	\$6,000
○ \$40 million - \$100 million	\$8,000
○ Over \$100 million	\$10,000

The following table displays the total Issuance Fees and IBank and STO shares from such fees collected from actual publicly offered conduit bond transactions issued in 2014 – 2016 and expected Issuance Fee that will be collected from a conduit bond transaction which was approved on March 2017 Board meeting but is not closed yet. The last column clearly displays how on certain transactions, over 50% of the Issuance Fee is paid to STO.

Publicly Offered Bonds	Issue Date	Par Amount	Invoice Date	Total Issuance Fee (Current Fee Schedule)	STO Share of Issuance Fee	IBank Share of Issuance Fee	% of STO Fees to The Total Issuance Fees
Columbia College Hollywood Project Series 2017 <sup>1</sup>	Sale Pending	\$2,135,000	Sale Pending	\$ 5,338	\$ 3,000	\$ 2,338	56%
Seneca Family of Agencies	12/14/2016	\$35,500,000	12/9/2016	\$ 45,250	\$ 6,000	\$ 39,250	13%
Capital Corrugated, Series 2016	8/25/2016	\$8,000,000	8/4/2016	\$ 20,000	\$ 6,000	\$ 14,000	30%
Guided Discoveries, Inc. Project Series 2015	4/23/2015	\$2,100,000	4/2/2015	\$ 5,250	\$ 4,000	\$ 1,250	76%
Catalina Museum Project Series 2014	4/17/2014	\$3,940,000	4/16/2014	\$ 9,850	\$ 4,000	\$ 5,850	41%

1 - The Columbia College Bonds will bear variable rate interest. That is the reason STO Fee is lower than their fees for the 2014 and 2015 Bonds.

- **Annual Fee:**
  - An Annual Fee of \$500 that is due each September 1<sup>st</sup>, following the bond closing, until the bonds are fully redeemed.

**ANALYSIS**

In late 2015 the IBank Board of Directors (the “Board”) unanimously approved a 501(c)(3) Bond transaction with a par amount exceeding \$300 million. IBank’s Issuance Fee for this sizeable transaction was only \$75,000; \$10,000 of which was paid to STO for its role as Agent for Sale. During the Board’s discussion of this item, a Board member suggested that IBank review its fee structure and compare its fees to those of other conduit bond issuers. This suggestion arose from the concern that IBank’s fees may be lower than those of other conduit bond issuers in relation to large bond issuances. The Board member suggested that large bond transactions are more complex and sophisticated, therefore require more resources, time, and effort of IBank staff. In particular, the Board member noted that a \$75,000 issuance fee seemed low for an issuance exceeding \$300 million. The Board agreed with this suggestion and asked staff to review IBank’s fee structure and report the results to the Board.

Following the meeting, IBank staff surveyed the fee schedules of other conduit bond issuers with similar financing programs. This survey began with collecting fee schedules from various other conduit issuers' websites and summarizing them in a tabular format. Staff then compared the fee schedules of those other conduit issuers to IBank's current fee schedule. Based on the research and analysis, IBank staff developed a proposed revised fee schedule for its conduit bond programs that was submitted to the IBank Board prior to the Board's June 28, 2016 meeting. During the June Board meeting, Mrs. Barnes, Executive Director of IBank, informed the Board that IBank would post its proposed revised fee schedule to IBank's website and seek public comment. On June 28, 2016, IBank posted its proposed fee schedule at that time to IBank's website and requested public comment on its proposed fee increases by the close of business on August 5, 2016. IBank received no comments from the public at that time.

One Board member, however, did provide comments. This Board member requested that IBank staff contact staff from four specific conduit issuers, CHHFA, CPCFA, CMFA and CSCDA<sup>1</sup>, to confirm information regarding their fees and make any appropriate adjustments to the fee information gathered from these issuer's websites. IBank staff contacted these conduit issuers' staff for their confirmation on the accuracy of the collected fees, and similarities of the programs being compared. The adjustments resulting from discussions with these four conduit issuers are reflected in the tables below under Application Fees, Issuance Fees and Annual Fees. This research was conducted solely for the purpose of comparison and was not intended to be a deep study.

On May 22, 2017 IBank posted the Amended Fee Schedule to its website and requested public comment by the close of business on June 12, 2017. IBank received one public comment in support of IBank's Amended Fee Schedule.

## **APPLICATION FEES**

The below tables compare IBank's current and proposed fees to the fees charged by other conduit bond issuers with similar financing programs. (Note – Please see **ATTACHMENT 2** for the complete name of the agencies/authorities listed in the following tables.) IBank's Application Fees are one time, non-refundable fees due at the time of the application is submitted.

Some conduit issuers, such as CSCDA, apply the initial amount deposited with each financing applications to the issuance fee at closing. The following tables display Application Fees for 501 (c)(3) Bonds, Exempt Facility Bonds and IDBs:

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<sup>1</sup> The complete name of these conduit issuers is set forth in ATTACHMENT 2.

Application Fees - 501(c)(3)s									
	IBank - Current	IBank - Proposed	ABAG	CHFFA	CEFA <sup>1</sup>	CEDA	CMFA <sup>2</sup>	CSCDA <sup>3</sup>	CPCFA
Par Amount	501 (c)(3)								
Up to \$1,000,000	\$ 1,500	\$ 2,000	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 500
\$5,000,000	\$ 1,500	\$ 2,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 2,500
\$10,000,000	\$ 1,500	\$ 2,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000
\$30,000,000	\$ 1,500	\$ 3,000	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000
\$50,000,000	\$ 1,500	\$ 3,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000
\$100,000,000	\$ 1,500	\$ 3,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000
\$200,000,000	\$ 1,500	\$ 4,000	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000
\$300,000,000	\$ 1,500	\$ 4,000	\$ 2,500	\$ -	\$ 1,000	\$ 1,500	\$ 2,500		\$ 5,000
\$400,000,000	\$ 1,500	\$ 4,000	\$ 2,500	\$ -	\$ 1,000	\$ 1,500			\$ 5,000
\$500,000,000	\$ 1,500	\$ 4,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500			\$ 5,000
\$1,000,000,000	\$ 1,500	\$ 4,500	\$ 2,500	\$ -	\$ 1,000	\$ 1,500			\$ 5,000
Over \$1,000,000,000	\$ 1,500	\$ 5,000							

- 1- The Application Fee is submitted with the Application and will be applied to the Initial Fee (Issuance Fee) at Closing.
- 2- The application fee is applied to the issuance fee at closing. Meaning, we can either zero out the application fee section or subtract \$2,500 from the issuance fee column.
- 3- The Application Fee will be applied to the Issuance Fee at Closing.

Application Fees - Exempt Facility Bonds									
	IBank - Current	IBank - Proposed	ABAG	CHFFA	CEFA	CEDA	CMFA <sup>1</sup>	CSCDA <sup>2</sup>	CPCFA
Par Amount	Exempt Facility								
Up to \$1,000,000	\$ 1,500	\$ 2,000	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 500
\$5,000,000	\$ 1,500	\$ 2,500	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 2,500
\$10,000,000	\$ 1,500	\$ 2,500	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 5,000
\$30,000,000	\$ 1,500	\$ 3,000	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 5,000
\$50,000,000	\$ 1,500	\$ 3,500	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 5,000
\$100,000,000	\$ 1,500	\$ 3,500	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 5,000
\$200,000,000	\$ 1,500	\$ 4,000	\$ 2,500	N/A	N/A	N/A	\$ 2,500	\$ 5,000	\$ 5,000
\$300,000,000	\$ 1,500	\$ 4,000	\$ 2,500	N/A	N/A	N/A	\$ 2,500		\$ 5,000
\$400,000,000	\$ 1,500	\$ 4,000	\$ 2,500	N/A	N/A	N/A			\$ 5,000
\$500,000,000	\$ 1,500	\$ 4,500	\$ 2,500	N/A	N/A	N/A			\$ 5,000
\$1,000,000,000	\$ 1,500	\$ 4,500	\$ 2,500	N/A	N/A	N/A			\$ 5,000
Over \$1,000,000,000	\$ 1,500	\$ 5,000							

- 1- The application fee is applied to the issuance fee at closing. Meaning, we can either zero out the application fee section or subtract \$2,500 from the issuance fee column.
- 2- The Application Fee will be applied to the Issuance Fee at Closing.

Application Fees - IDBs									
	Ibank - Current	Ibank - Proposed	ABAG	CHFFA	CEFA	CEDA	CMFA <sup>1</sup>	CSCDA <sup>2</sup>	CPCFA
Par Amount	IDB								
<b>Up to \$1,000,000</b>	\$ 1,500	\$ 2,000	\$ 2,500	N/A	N/A	\$ 1,500	\$ 2,500	\$ 5,000	\$ 500
<b>\$5,000,000</b>	\$ 1,500	\$ 2,000	\$ 2,500	N/A	N/A	\$ 1,500	\$ 2,500	\$ 5,000	\$ 2,500
<b>\$10,000,000</b>	\$ 1,500	\$ 2,000	\$ 2,500	N/A	N/A	\$ 1,500	\$ 2,500	\$ 5,000	\$ 5,000

1- The application fee is applied to the issuance fee at closing. Meaning, we can either zero out the application fee section or subtract \$2,500 from the issuance fee column.

2- The Application Fee will be applied to the Issuance Fee at Closing.

Also, IBank proposes increasing the Application Fee for IDBs from \$1,500 to \$2,000. IBank's proposed IDBs Application Fee would be a flat fee applicable to all IDBs with the issue par amount of up to \$10,000,000.

## ISSUANCE FEES

IBank's Issuance Fees are collected on or after the transaction closing date. IBank does not charge an Issuance Fee if the transaction does not close. The proposed Issuance Fees show a moderate increase for the issue amounts up to \$200 million then the Issuance Fee increase escalates as the Par Amount increases. For issues with par amounts over \$200 million, IBank's proposed Issuance Fees are in response to those transactions being more complex, and therefore require additional staff, time, and resources to complete. In support of smaller businesses and projects, the IBank proposed Issuance Fees for the Par Amounts less than or equal to \$200 million reflect only a modest increase as compared to issues with larger Par Amounts. Borrowers of 501(c)(3) Bonds, Exempt Facility Bonds and IDBs would pay the STO's issuance fees directly on public offering bond transactions in which STO is the Agent for Sale. IBank would no longer use a portion of IBank's Issuance Fee to pay STO for public offering bond transactions in which the STO is the Agent for Sale.

The following tables compare IBank's Issuance Fees for 501(c)(3) Bonds, Exempt Facility Bonds and IDBs to the Issuance Fees of other conduit bond issuers. IBank proposes the same amount of Issuance Fees to both 501(c)(3) Bonds and Exempt Facility Bonds.

Issuance Fees - 501(c)(3)s									
	Ibank - Current	Ibank - Proposed	ABAG <sup>1</sup>	CHFFA <sup>2</sup>	CEFA	CEDA	CMFA <sup>3</sup>	CSCDA <sup>4</sup>	CPCFA
Par Amount	501 (c)(3)								
Up to \$1,000,000	\$ 2,500	\$ 2,500	\$ 1,000	Up to \$500	\$ 1,500	\$ 2,500	\$ 2,000	\$ 15,000	\$ 1,500
\$5,000,000	\$ 12,500	\$ 12,500	\$ 5,000	\$ 2,500	\$ 7,500	\$ 12,500	\$ 10,000	\$ 15,000	\$ 7,500
\$10,000,000	\$ 25,000	\$ 25,000	\$ 10,000	\$ 5,000	\$ 15,000	\$ 25,000	\$ 20,000	\$ 20,000	\$ 15,000
\$30,000,000	\$ 42,500	\$ 45,000	\$ 33,000	\$ 15,000	\$ 35,000	\$ 42,500	\$ 30,000	\$ 45,000	\$ 55,000
\$50,000,000	\$ 52,500	\$ 55,000	\$ 39,000	\$ 25,000	\$ 55,000	\$ 52,500	\$ 40,000	\$ 55,000	\$ 95,000
\$100,000,000	\$ 75,000	\$ 75,000	\$ 54,000	\$ 50,000	\$ 75,000	\$ 75,000	\$ 65,000	\$ 80,000	\$ 195,000
\$200,000,000	\$ 75,000	\$ 100,000	\$ 84,000	\$ 100,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 100,000	\$ 395,000
\$300,000,000	\$ 75,000	\$ 125,000	\$ 114,000	\$ 100,000	\$ 75,000	\$ 75,000	\$ 75,000		\$ 595,000
\$400,000,000	\$ 75,000	\$ 150,000	\$ 144,000	\$ 100,000	\$ 75,000	\$ 75,000			\$ 795,000
\$500,000,000	\$ 75,000	\$ 200,000	\$ 174,000	\$ 100,000	\$ 75,000	\$ 75,000			\$ 995,000
\$1,000,000,000	\$ 75,000	\$ 300,000	\$ 324,000	\$ 100,000	\$ 75,000	\$ 75,000			\$ 1,995,000
Over \$1,000,000,000	\$ 75,000	\$ 400,000							

- 1- The ABAG Fee Schedule posted on the Agency's website does not provide ceiling for the Issuance Fee and Annual Fee.
- 2- The fees in this column are applicable to private health facilities with annual gross revenues of equal or greater than \$2.5 million. For the private health facilities with annual gross revenues less than \$2.5 million, and for public health facilities, the fee is \$1,000.
- 3- There is no defined ceiling for the Issuance Fee on Exempt Facility Bonds.
- 4- CSCDA noted that they have not issued bonds with par amounts over \$200M, therefore, they have not assigned a cap for their issuance fees on Exempt Facility Bonds.

Issuance Fees - Exempt Facility Bonds									
	Ibank - Current	Ibank - Proposed	ABAG <sup>1</sup>	CHFFA	CEFA	CEDA	CMFA <sup>2</sup>	CSCDA <sup>3</sup>	CPCFA
Par Amount	Exempt Facility								
Up to \$1,000,000	\$ 2,500	\$ 2,500	\$ 500	N/A	N/A	N/A	\$ 2,500	\$ 25,000	\$ 1,500
\$5,000,000	\$ 12,500	\$ 12,500	\$ 2,500	N/A	N/A	N/A	\$ 12,500	\$ 25,000	\$ 7,500
\$10,000,000	\$ 25,000	\$ 25,000	\$ 5,000	N/A	N/A	N/A	\$ 25,000	\$ 25,000	\$ 15,000
\$30,000,000	\$ 42,500	\$ 45,000	\$ 26,500	N/A	N/A	N/A	\$ 60,000	\$ 62,500	\$ 55,000
\$50,000,000	\$ 52,500	\$ 55,000	\$ 29,500	N/A	N/A	N/A	\$ 80,000	\$ 87,500	\$ 95,000
\$100,000,000	\$ 75,000	\$ 75,000	\$ 37,000	N/A	N/A	N/A	\$ 130,000	\$ 150,000	\$ 195,000
\$200,000,000	\$ 75,000	\$ 100,000	\$ 52,000	N/A	N/A	N/A	\$ 230,000	\$ 275,000	\$ 395,000
\$300,000,000	\$ 75,000	\$ 125,000	\$ 67,000	N/A	N/A	N/A	\$ 330,000		\$ 595,000
\$400,000,000	\$ 75,000	\$ 150,000	\$ 82,000	N/A	N/A	N/A			\$ 795,000
\$500,000,000	\$ 75,000	\$ 200,000	\$ 97,000	N/A	N/A	N/A			\$ 995,000
\$1,000,000,000	\$ 75,000	\$ 300,000	\$ 172,000	N/A	N/A	N/A			\$ 1,995,000
Over \$1,000,000,000	\$ 75,000	\$ 400,000							

- 1- The ABAG Fee Schedule posted on the Agency's website does not provide ceiling for the Issuance Fee and Annual Fee. The fees for larger par amounts are estimates based on the the provided formulas.
- 2- There is no defined ceiling for the Issuance Fee on Exempt Facility Bonds.
- 3- CSCDA noted that they have not issued bonds with par amounts over \$200M, therefore, they have not assigned a cap for their issuance fees on Exempt Facility Bonds.

Ibank intends to maintain its Issuance Fees for IDBs at the current level.

Issuance Fees - IDBs									
	Ibank - Current	Ibank - Proposed	ABAG	CHFFA	CEFA	CEDA	CMFA	CSCDA	CPCFA
Par Amount	IDB								
<b>Up to \$1,000,000</b>	\$ 2,500	\$ 2,500	\$ 500	N/A	N/A	\$ 2,500	\$ 2,500	\$ 25,000	\$ 500
<b>\$5,000,000</b>	\$ 12,500	\$ 12,500	\$ 2,500	N/A	N/A	\$ 12,500	\$ 12,500	\$ 25,000	\$ 2,500
<b>\$10,000,000</b>	\$ 25,000	\$ 25,000	\$ 5,000	N/A	N/A	\$ 25,000	\$ 25,000	\$ 25,000	\$ 5,000

## ANNUAL FEES

IBank's Annual Fees assessed on conduit bonds/obligations are due each September 1, commencing on the first September 1 after the conduit bonds/obligations closing date, until the bonds/obligations are fully redeemed. Currently, the Annual Fee is a fixed amount of \$500 irrespective of the par amount or type of bonds/obligations. IBank's proposed Annual Fee remains at \$500 for issue amounts up to and including \$10 million. As a result, the Annual Fees applicable to all IDBs would remain unchanged. For 501(c)(3) Bonds and Exempt Facility Bonds transactions with a par amount over \$10 million, the proposed Annual Fee would increase modestly based on the par amount outstanding on the anniversary of the closing date as reflected in the tables below. The proposed Annual Fee is still considerably lower in comparison with the fees of the other conduit issuers collected and shown at the below tables:

Annual Fees - 501(c)(3)s									
	Ibank - Current	Ibank - Proposed	ABAG <sup>1</sup>	CHFFA <sup>2</sup>	CEFA <sup>3</sup>	CEDA	CMFA <sup>4</sup>	CSCDA <sup>5</sup>	CPCFA
Par Amount	501 (c)(3)								
<b>Up to \$1,000,000</b>	\$ 500	\$ 500	\$ 200	Up to \$175	\$ 150	\$ 500	\$ 500	\$ 150	\$ 0
<b>\$5,000,000</b>	\$ 500	\$ 500	\$ 1,000	\$ 875	\$ 750	\$ 500	\$ 750	\$ 750	\$ 0
<b>\$10,000,000</b>	\$ 500	\$ 500	\$ 2,000	\$ 1,750	\$ 1,500	\$ 500	\$ 1,500	\$ 1,500	\$ 0
<b>\$30,000,000</b>	\$ 500	\$ 1,000	\$ 6,000	\$ 5,250	\$ 4,500	\$ 2,500	\$ 4,500	\$ 4,500	\$ 0
<b>\$50,000,000</b>	\$ 500	\$ 2,500	\$ 10,000	\$ 8,750	\$ 7,500	\$ 2,500	\$ 7,500	\$ 7,500	\$ 0
<b>\$100,000,000</b>	\$ 500	\$ 3,000	\$ 20,000	\$ 17,500	\$ 12,000	\$ 2,500	\$ 15,000	\$ 15,000	\$ 0
<b>\$200,000,000</b>	\$ 500	\$ 3,000	\$ 40,000	\$ 35,000	\$ 12,000	\$ 2,500	\$ 30,000	\$ 30,000	\$ 0
<b>\$300,000,000</b>	\$ 500	\$ 3,500	\$ 60,000	\$ 52,500	\$ 12,000	\$ 2,500	\$ 45,000		\$ 0
<b>\$400,000,000</b>	\$ 500	\$ 4,000	\$ 80,000	\$ 70,000	\$ 12,000	\$ 2,500			\$ 0
<b>\$500,000,000</b>	\$ 500	\$ 5,000	\$ 100,000	\$ 87,500	\$ 12,000	\$ 2,500			\$ 0
<b>\$1,000,000,000</b>	\$ 500	\$ 6,000	\$ 200,000	\$ 150,000	\$ 12,000	\$ 2,500			\$ 0
<b>Over \$1,000,000,000</b>	\$ 500	\$ 8,000							

1- Annual Fees are based on par amount outstanding on the anniversary of the closing date for each transaction.

2- CHFFA Annual Fee for the private health facilities with annual gross revenues equal or greater than \$2.5 million is 0.0175% of bonds outstanding, maximum of \$150,000.

3- The Annual Fee displays the Fees effective August 1, 2013. The fee is 0.015% of the par amount outstanding, up to a maximum fee of \$12,000. The Annual Fee for bonds issued on or prior to July 1, 2013 was \$500 per Series.

4- The minimum Annual Fee is \$500 and are based on bond amounts outstanding on the anniversary of each issue.

5- For the Health Facility Financings, Issuance Fee Cap was defined at \$100,000 and the Annual Fee capped at \$150,000. No Caps were defined for the 501 (c)(3) Bonds Annual Fees. Annual Fees are based on aggregate principal amounts outstanding on interest payment date.

Annual Fees - Exempt Facility Bonds									
	IBank - Current	IBank - Proposed	ABAG <sup>1</sup>	CHFFA	CEFA	CEDA	CMFA	CSCDA <sup>2</sup>	CPCFA
Par Amount	Exempt Facility								
Up to \$1,000,000	\$ 500	\$ 500	\$ 200	N/A	N/A	N/A	\$ 500	\$ 500	\$0
\$5,000,000	\$ 500	\$ 500	\$ 1,000	N/A	N/A	N/A	\$ 2,500	\$ 2,500	\$0
\$10,000,000	\$ 500	\$ 500	\$ 2,000	N/A	N/A	N/A	\$ 5,000	\$ 5,000	\$0
\$30,000,000	\$ 500	\$ 1,000	\$ 6,000	N/A	N/A	N/A	\$ 15,000	\$ 15,000	\$0
\$50,000,000	\$ 500	\$ 2,500	\$ 10,000	N/A	N/A	N/A	\$ 25,000	\$ 25,000	\$0
\$100,000,000	\$ 500	\$ 3,000	\$ 20,000	N/A	N/A	N/A	\$ 50,000	\$ 50,000	\$0
\$200,000,000	\$ 500	\$ 3,000	\$ 40,000	N/A	N/A	N/A	\$ 100,000	\$ 100,000	\$0
\$300,000,000	\$ 500	\$ 3,500	\$ 60,000	N/A	N/A	N/A	\$ 150,000		\$0
\$400,000,000	\$ 500	\$ 4,000	\$ 80,000	N/A	N/A	N/A			\$0
\$500,000,000	\$ 500	\$ 5,000	\$ 100,000	N/A	N/A	N/A			\$0
\$1,000,000,000	\$ 500	\$ 6,000	\$ 200,000	N/A	N/A	N/A			\$0
Over \$1,000,000,000	\$ 500	\$ 8,000							

1- Annual Fees are based on par amount outstanding on the anniversary of the closing date for each transaction.

2- For the Health Facility Financings, Issuance Fee Cap was defined at \$100,000 and the Annual Fee capped at \$150,000. No Caps were defined for the Exempt Facility Bonds Annual Fees. Annual Fees are based on aggregate principal amounts outstanding on interest payment date.

Annual Fees - IDBs									
	IBank - Current	IBank - Proposed	ABAG <sup>1</sup>	CHFFA	CEFA	CEDA	CMFA	CSCDA	CPCFA
Par Amount	IDB								
Up to \$1,000,000	\$ 500	\$ 500	\$ 200	N/A	N/A	\$ 500	\$ 1,000	\$ 1,000	\$0
\$5,000,000	\$ 500	\$ 500	\$ 1,000	N/A	N/A	\$ 500	\$ 5,000	\$ 5,000	\$0
\$10,000,000	\$ 500	\$ 500	\$ 2,000	N/A	N/A	\$ 500	\$ 10,000	\$ 10,000	\$0

1- Annual Fees are based on par amount outstanding on the anniversary of the closing date for each transaction.

Some agencies have not provided caps on certain fee categories since they may not have issued bonds /obligations with such large par amounts.

IBank's proposed new Application Fees, Issuance Fees and Annual Fees would be applied only to conduit bonds issued on or after July 1, 2017.

## IBANK'S SELF-RELIANCE AND ITS LIFELINE

As noted earlier, IBank has been financially independent from the State budget and self-sustaining since the initial budget appropriations. IBank financially supports its administration and operations solely through its fee income, investment earnings and the interest it collects on the low-cost financial assistance it provides under the ISRF and CLEEN Programs.

During the fiscal year 2015-16, total budget allocation for IBank's administration was \$3.9 million out of which, \$2.5 million was the allocation towards salaries and employees benefits and the remaining balance of \$1.3 million was the total allocation for operating expenses. The operating expenses include IBank's expenses with regards to Facilities, Travel-In State, Data Center,

General Expenses, Contracts and miscellaneous expenses such as Training and Communications.

The following Table displays and compares IBank’s Conduit Bonds/Obligations revenues earned based on the current fee schedule with the expected revenues based on the proposed fees for the FY 2013-14 to FY 2015-16. The amounts on Annual Fees columns display the fees collected from all outstanding bonds/obligations and expected fees for those outstanding bonds/obligations if proposed fees had been effective since FY 2013-14.

FY	IBank Conduit Bonds Revenues from Current Fee Schedule				IBank Expected Conduit Bonds Revenues from Proposed Fee Schedule				Variance of Total Current Fees and Total Proposed Fees Revenues
	Application Fees	Issuance Fees	Annual Fees	Total Conduit Bonds Fees	Application Fees	Issuance Fees	Annual Fees	Total Conduit Bonds Fees	
2013-14	\$ 13,500	\$ 405,782	\$ 48,500	\$ 467,782	\$ 26,000	\$ 492,500	\$ 128,500	\$ 647,000	\$ 179,218
2014-15	\$ 16,500	\$ 255,458	\$ 49,500	\$ 321,458	\$ 32,500	\$ 315,000	\$ 124,000	\$ 471,500	\$ 150,042
2015-16	\$ 18,000	\$ 286,849	\$ 47,500	\$ 352,349	\$ 36,000	\$ 432,500	\$ 121,000	\$ 589,500	\$ 237,151

IBank total operating revenues for FY 2014-15 was \$10.76 million, which increased to \$10.94 million in the FY 2015-16. Considering the total Conduit Bonds Fees revenues on the above table, these fees have had limited contributions to the IBank Total Operating Revenue.

IBank’s Total Operating Revenues for the fiscal year 2015-16 increased to \$10.9 million from \$10.8 million in FY 2014-15; however, the Total Operating Expenses increased to \$11.6 million in FY 2015-16 from \$8.8 million in FY 2014-15, which resulted in the Operating Income loss of \$709,991. This Operating Income loss is mainly due to the implementation of Government Accounting Standards Board Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (collectively, the Statements) during FY 2014-15. The Statements aim to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. The Statements provide the methods and assumptions to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The discount rate used to measure IBank’s total pension liability was 7.50%, which is net of administrative expenses. GASB 68 requires the long-term discount rate to be determined without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. Therefore, by excluding administrative expenses, administrative return would have been 7.65%. This revised discount rate resulted in a slightly higher Total Pension Liability and Net Pension Liability. IBank net pension liability as of June 30, 2015 was \$3,200,240 and was increased to \$3,945,940 as of June 30, 2016. Operating expenses have increased

significantly due to the pension liability but operating revenues have not increased proportionately. It is expected that CalPERS will continue to use a discount rate net of administrative expenses for GASB 68 at least through the 2017-2018 fiscal year.

IBank has successfully filled 5 new positions out of 11 approved positions. Although the Total Operating Revenues had slightly increased during FY 2015-16, it could not cover the Total Operating Expenses in that period.

IBank plans to move to a new office area by the first quarter of 2018. The new office will provide a larger space, allowing IBank to hire the much needed staff, the process of which had been slowed due to the lack of working space for new staff at the IBank's current office. It is expected that after IBank's relocation Operating Expenses will increase due to higher cost of Facilities, Utilities, General Expenses and Personnel.

To meet GASB 68 requirements and in order to maintain healthy and strong financial condition that would translate into positive operating income, IBank is requesting that the Board approve increasing IBank's conduit bonds/obligations fees to increase its Operating Revenue. IBank's proposed modest fee increase is expected to improve the Total Operating Revenue to meet the expenditures of IBank's long term staffing needs and other administrative and operational expenses, including its recent unexpected increase in pension liability.

As noted on the Annual Fees section above, the Proposed Annual Fees will be applied based on the par amount outstanding on the anniversary of the closing date.

Most of the conduit bonds/obligations issued by IBank are private placements with the par amounts usually under \$100 million. IBank's proposed fees for the bonds/obligations with par amounts up to and including \$100 million has increased slightly; however, a material fee increase is proposed for Issuance Fee of bonds/obligations with par amounts over \$100 million. As mentioned earlier, the Issuance Fee is a one-time fee and the proposed Annual Fee will be increased for par amounts equal to and over \$30 million. IBank has made every effort to maintain the proposed fees at a reasonable and feasible level for all applicants who seek financing under the IBank Bond Financing Programs.

## **STAFF RECOMMENDATION**

Staff recommends approval of the Proposed Fees for conduit bonds/obligations issued under the IBank Bond Financing Programs. The Proposed Fees, if approved, will be effective on July 1, 2017 and will be applied to conduit bonds/obligations transactions where IBank received the Application on or after the effective date of the Proposed Fees. Please see the Proposed Fees on the **ATTACHMENT 1**.

## ATTACHMENT 1 – IBank CONDUIT BONDS PROPOSED FEES

### IBank Conduit Bonds Proposed Fees

#### Application Fees:

#### 501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Proposed Fee
≤ \$1,000,000	\$2,000
\$5,000,000	\$2,500
\$10,000,000	\$2,500
\$30,000,000	\$3,000
\$50,000,000	\$3,500
\$100,000,000	\$3,500
\$200,000,000	\$4,000
\$300,000,000	\$4,000
\$400,000,000	\$4,000
\$500,000,000	\$4,500
\$1,000,000,000	\$4,500
> \$1,000,000,000	\$5,000

#### Issuance Fees:

#### 501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Proposed Fee
≤ \$1,000,000	\$2,500
\$5,000,000	\$12,500
\$10,000,000	\$25,000
\$30,000,000	\$45,000
\$50,000,000	\$55,000
\$100,000,000	\$75,000
\$200,000,000	\$100,000
\$300,000,000	\$125,000
\$400,000,000	\$150,000
\$500,000,000	\$200,000
\$1,000,000,000	\$300,000
> \$1,000,000,000	\$400,000

#### Annual Fees:

#### 501(c)(3) and Exempt Facilities Bonds

Par Amount	IBank Proposed Fee
≤ \$1,000,000	\$500
\$5,000,000	\$500
\$10,000,000	\$500
\$30,000,000	\$1,000
\$50,000,000	\$2,500
\$100,000,000	\$3,000
\$200,000,000	\$3,000
\$300,000,000	\$3,500
\$400,000,000	\$4,000
\$500,000,000	\$5,000
\$1,000,000,000	\$6,000
> \$1,000,000,000	\$8,000

#### Application Fee:

#### Industrial Development Bonds

Par Amount	IBank Proposed Fee
\$500,000 to \$10,000,000	\$2,000

#### Issuance Fees:

#### Industrial Development Bonds

Par Amount	IBank Proposed Fee
≤ \$500,000	\$1,250
\$1,000,000	\$2,500
\$5,000,000	\$12,500
\$10,000,000	\$25,000

#### Annual Fees:

#### Industrial Development Bonds

Par Amount	IBank Proposed Fee
≤ \$500,000	\$500
\$1,000,000	\$500
\$5,000,000	\$500
\$10,000,000	\$500

## ATTACHMENT 2 – AGENCIES LONG NAMES

### **Agencies Short & Long Names:**

ABAG:	Association of Bay Area Governments
CEDA:	California Enterprise Development Authority
CHFFA:	California Health Facilities Financing Authority
CEFA:	California Educational Facilities Authority
CMFA:	California Municipal Finance Authority
CPCFA:	California Pollution Control Financing Authority
CSCDA:	California Statewide Communities Development Authority