Due to the COVID-19 “Stay Home” order imposed in Sacramento County, IBank modified its Board meeting procedures in accordance with Governor Newsom’s Executive Order N-29-20 by waiving specified public access and notice requirements under the Bagley-Keene Open Meeting Act.

Consistent with the Executive Order, this meeting was conducted by publicly accessible teleconference only. There was no physical meeting accessible to the public and none of the locations from which Board Members participated were open to the public.

Ms. Nancee Robles, Chief Deputy Executive Director of IBank, acted as the moderator of this call and started by providing technical instructions to participants regarding participation and public comment.

Chair Chris Dombrowski, Acting Director of the Governor’s Office of Business and Economic Development, called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:02 p.m.

1. Call to Order and Roll Call

The following Board members were on the phone:
Chair, Chris Dombrowski, Acting Director of the Governor’s Office of Business and Economic Development,
Augustin Jimenez for the Secretary of the California State Transportation Agency,
Fiona Ma, the State Treasurer, and
Marc Steinorth, Governor’s Appointee

IBank staff members on the phone:
Scott Wu, Nancee Robles, and Stefan Spich

Information Item

2. Executive Director’s Report

Mr. Scott Wu, IBank’s Executive Director, delivered the Executive Director’s Report. Mr. Wu started by noting today was the 50th anniversary of Earth Day and the start of the movement that resulted in the Clean Water Act and the Environmental Protection Act. He encouraged us to renew that spirit and sustain our conservation efforts.

Mr. Wu then noted IBank had been deemed an essential government service that provided important credit and capital markets activities. IBank remains fully functioning despite operating on a virtual and remote basis for the time being.

Mr. Wu briefly discussed efforts of the IBank’s Small Business Finance Center to provide financing solutions to the State’s struggling small business community. On April 2, the Governor announced a $50M allocation to the Small Business Loan Guarantee Program to focus on microloans to entrepreneurs not qualified for federal disaster loans. By April 4, two business days later, SBFC was live and accepting applications with newly approved
lenders. Several weeks in, we’ve served approximately 50 businesses, with 500 employees. We target supporting over 2,000 small businesses by guaranteeing $100M of loans with this allocation. Mr. Wu praised the hard work of the SBFC team and their manager Emily Burgos.

Mr. Wu then noted IBank was following ongoing developments in Washington DC related to federal recovery funds and was poised to take any action to help direct such relief to California municipalities, small businesses and communities.

Mr. Wu discussed recent municipal market volatility and difficulties associated with new issuances. He noted that California and the State Treasurer’s Office had successfully issued $2B of bonds in early March just before the market shut, and then essentially reopened the primary market for large muni issues last Thursday with another $1.5B issuance. Mr. Wu congratulated Ms. Ma for the excellent timing and execution of these deals.

Mr. Wu concluded his report by noting California’s resiliency in the face of crisis and that IBank would be there to assist in the recovery.

Ms. Ma asked if the SBFC Loan Guarantee Program was oversubscribed or whether it currently had capacity. Mr. Wu responded that program currently had additional capacity and it was bringing on new lenders to increase program access. Ms. Ma thanked Mr. Wu.

Consent Item

3. Approve minutes from the meeting held on February 26, 2020
Chair Dombrowski opened up discussion of the previous meeting’s minutes. Mr. Steinorth moved to approve the minutes and Mr. Jimenez seconded the motion. After asking for and receiving no public comment, the Board unanimously approved the February 26, 2020 Meeting Minutes.

Action Items

4. Resolution No. 20-04 approving issuance of one or more of senior, subordinate, and/or junior, revenue bonds in an amount not to exceed $185,000,000 for the benefit of WFCS Holdings, LLC used to finance eligible projects located in the cities of Richmond, Lancaster, Moreno Valley, Temecula and San Bernardino.

Mr. John Belmont, Public Finance Specialist, introduced Resolution 20-04. Mr. Belmont described the project and the public benefits of the financing. He then introduced the WFCS Holdings’ representatives: John Cairns, Secretary/Director of WFCS, and Eugene Clark-Herrera, Bond Counsel (Orrick). Chair Dombrowski welcomed the representatives and invited comment on the project.

Mr. Cairns described WFCS’s operations and the project. Mr. Clark-Herrera confirmed that the IBank financing was part of a multi-state multi-issuer transaction that sought to acquire school facilities for the benefit of charter school operators. Related bonds would also be issued in Florida and Wisconsin. Chair Dombrowski thanked the representatives.

Mr. Steinorth asked about the Hardy Brown School in San Bernardino being financed by this transaction. He noted that the property also contained a courthouse and asked whether that was a tenancy relationship. Mr. Clark-Herrera confirmed it was, that possession would be shared and that rental payments would secure the payment of the bonds.
Mr. Jimenez then asked about the overall objectives of the financing, and whether the larger picture involved rent stabilization for current charter school operations in the near term with possible property transfers of school facilities in the longer term. Mr. Clark-Herrera confirmed those goals. Mr. Jimenez then asked about the organization of WFCS. Mr. Clark-Herrera responded it was a single member Minnesota LLC whose member was an Oregon non-profit corporation whose mission was to support charter school operations. Finally, Mr. Jimenez asked why this was structured as a multi-state transaction. Mr. Clark-Herrera responded there was a single seller of the assets in multiple states, but for various legal reasons multiple issuers were needed to complete the financing. Mr. Clark-Herrera confirmed Mr. Jimenez' understanding that funds from the IBank portion of the transaction would only be used for acquisition of California school facilities. Mr. Jimenez thanked Mr. Clark-Herrera and noted no further questions.

Chair Dombrowski then asked for public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Ma seconded. The Board voted unanimously to pass Resolution 20-04.

5. Resolution No. 20-05 approving issuance of revenue bonds in an amount not to exceed $370,000,000 to refund all or a portion of the outstanding IBank Series 2015A and 2015B Bonds, initially issued for the benefit of Academy Museum Foundation and used to finance an eligible project located in the City of Los Angeles.

Mr. Belmont introduced Resolution 20-05 and described the project and its benefits, including cost savings. He then introduced the Academy Museum Foundation’s representatives: Andy Horn, Chief Financial Officer of the Academy of Motion Picture Arts and Sciences, Sean Tierney, Bond Counsel (Hawkins), and Doug Brown, Underwriter (Wells Fargo). Chair Dombrowski welcomed the representatives and invited comment on the project.

Mr. Horn responded by thanking IBank and describing the benefits of the project. He noted this refinancing would result in savings that would both improve museum resources in advance of its opening as well as help manage ongoing operations costs. He noted the Academy was very excited to get the museum open to the public and become a landmark destination for the greater Los Angeles area.

Chair Dombrowski asked whether the Board had any questions for the representatives. They did not. He then asked for public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Ma seconded. The Board voted unanimously to pass Resolution 20-05.

6. Resolution No. 20-06 approving the issuance of revenue bonds in an amount not to exceed $30,000,000 to (i) refund the outstanding obligation to First Republic Bank, initially issued for the benefit of Roessler-Chadwick Foundation Group (Borrower) and used to finance an eligible project located on Palos Verdes Peninsula, and (ii) to provide the Borrower additional funds to finance another project located on the Palos Verdes Peninsula.

Mr. Steven Wright, Public Finance Specialist, introduced Resolution 20-06. He described the project and its related cost savings. He then introduced the Roessler-Chadwick Foundation Group’s representatives: Velveth Schmitz, Chair of the Board of Trustees for Chadwick, John Kjenner, CFO, and Sam Balisy, Bond Counsel (Kutak). Chair Dombrowski welcomed the representatives and invited comment on the project.

Mr. Balisy started by thanking the Board and confirming their receipt of his correspondence regarding this project and consideration of its “housing” element. Mr. Kjenner then
addressed the Board with background on the operations of the Chadwick School. He discussed the difficulty that faculty had in locating housing near the School and the importance of the School providing on-site faculty housing for recruiting and retaining excellent teachers. He then noted that the greater interest cost for completing the housing on a taxable basis would increase financing costs by approximately 30%. This would make the project difficult to pencil out. Mr. Kjenner continued that no other issuer of tax exempt obligations was available to them. Mr. Kjenner concluded by noting the substantial amount of financial assistance provided by the School each year and asked the Board to consider approval.

Ms. Schmitz then addressed the Board, noting she was Chair of the School and also Mayor of Rolling Hills Estates, the community that surrounds, but does not include, the School. Ms. Schmitz stressed the unique impact of the school's location; because it was located in unincorporated Los Angeles County it was not eligible to use any County issuers and without a specific state educational issuer to turn to, had to rely on IBank as the State’s general purpose financing authority. She noted IBank had financed faculty housing elements in transactions in 2014 and 2015. Ms. Schmitz concluded by discussing the related challenges of recruiting talented teachers and providing housing for them near the School and asking for Board consideration.

Mr. Balisy concluded the presentation by revisiting some of the reasoning he had included in earlier correspondence on the topic. He asserted that the IBank Act’s “housing” restriction arose in 1998 when legislative changes reorganized IBank and separated it from the California Housing Finance Agency (CHFA). He stated his conclusions that this meant the Legislature had intended to restrict IBank from only “low income multifamily housing”, the type in which CHFA was engaged, and not all housing. Mr. Balisy concluded that other authorities, including the Internal Revenue Service, did not view this type of restricted, employer provided housing to meet that “housing” definition for IRS purposes.

Chair Dombrowski thanked the representatives and asked IBank staff to comment on their staff recommendation for this project. Mr. Wu responded that IBank generally supports this project and wishes it could recommend its approval, but was prevented from doing so by law. IBank had consulted its General Counsel in the matter and found the statutory prohibition on “housing” in the IBank Act to be clear and unambiguous on its face, while the legislative history surrounding the language was indirect and circumstantial. Mr. Wu said if the roles were reversed, and unclear statutory language was clarified by controlling legislative history, the result might be different. Mr. Wu concluded IBank was not restricted from financing the non-housing portions of the project, but that ultimately approval was a matter of Board discretion.

Mr. Steinorth spoke of his time in the State legislature and how difficult it had been to legislate regarding housing. He noted he shared the Chadwick representatives’ frustration with the current laws, and agreed that the project was well intentioned and in the best interests of the School. He concluded that the best resolution to this would be a legislative fix.

Ms. Ma then spoke of the State Treasurer’s Office’s educational facilities financing programs. She noted these programs were not currently available for projects like Chadwick’s but could be in the future. She noted she agreed with previous comments regarding the need to provide affordable housing for California’s workforce.

Mr. Jimenez addressed IBank’s prior transactions involving housing. He noted that prior IBank General Counsel’s had not specifically addressed this statutory issue in briefings or reports and so IBank had no historical record to illuminate the intended meaning or construction of the housing restriction or why such prior deals had been approved. Mr.
Jimenez agreed with Mr. Steinorth that a legislative fix was the only clear resolution to this question and that he could not ignore or overrule the IBank Act as it exists today.

Mr. Balisy responded that prior IBank General Counsels had corresponded with him regarding this issue and these understandings had been communicated to the Board in materials Mr. Balisy sent to the Board in advance of this meeting. Mr. Balisy thanked the Board for their time and consideration.

Mr. Jimenez asked whether Chadwick had interest in a resolution that approved the financing, but excluded the “housing” component. Chair Dombrowski asked whether Chadwick should re-apply in order to obtain such an amended approval. Mr. Spich, filling in for the absent General Counsel, noted that the Board had authority to approve the resolution with such changes as they saw fit, but that he asked first to confirm the terms offered and to clarify whether an amended approval was of interest to the School. Mr. Steinorth agreed that the Board and IBank wanted to do everything within its authority to assist this project.

Ms. Schmitz noted that the financing was a complete package, and was approved based on the original plan of finance. Suggested material changes to the deal would require further internal process and approval by the Borrower that they were not currently prepared to undertake. Ms. Schmitz noted the School would need to reconvene and determine their next steps regarding the project.

Ms. Ma suggested that the Board table consideration of the item. No one on the Board objected to this suggestion. Chair Dombrowski declared the matter tabled and that no further action would be considered for this item.

**Reporting/Non-Action Business**

**Public Comment and Adjournment**

Chair Dombrowski then asked for a final general public comment. Hearing none, Chair Dombrowski declared the meeting adjourned at approximately 2:57 p.m.