

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held telephonically on
Wednesday, July 22, 2020 at 2:00 p.m.

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 electronic and telephonic means 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.

Jaymie Lutz acted as the moderator of this call and Chair Chris Dombrowski, Acting Director of the Governor’s Office of Business and Economic Development, started by providing technical instructions to participants regarding participation and public comment.

Chair Dombrowski 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 attended by electronic means:

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,
Gayle Miller for the Department of Finance,
Fiona Ma, the State Treasurer, and
Marc Steinorth, Governor’s Appointee

IBank staff members attended by electronic means:

Scott Wu, Jaymie Lutz, William Pahland, Jr. 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 wishing a happy 80th birthday to Alex Trebek, who has hosted Jeopardy for 36 years, a Guinness record for game show hosts.

Mr. Wu then updated the Board on news items featured in IBank’s most recent newsletter. First was an update on projects launched in collaboration with the US Digital Response, a dedicated team of volunteer technology specialists formed in the wake of COVID-19 to assist governments to deliver critical services to the public. They launched IBank’s COVID small business disaster assistance wizard, as well as its new public access data and mapping system. IBank thanks them for their service. Mr. Wu then noted DesertXpress had recently entered a lease agreement with CALTRANS for a right of way along I-15, an important step forward to build the bullet train from Southern California to Las Vegas. Mr.

Wu announced IBank's loan guarantee to Switch Maritime to build a flagship fuel-cell electric ferry that will commence operation between Oakland and SF later this year. The project would create 63 jobs and reduce greenhouse gas emissions while supporting clean tech innovation. IBank is proud of its partnership with the Bay Area Air Quality Management District and Nor-Cal FDC to bring such a game-changing project to life.

Mr. Wu then provided updates on two special projects. The first involves IBank's interagency agreement with CAL FIRE to act as loan servicer on Cal Fire's behalf for forest biomass power plant financings. The loan will be solely between Cal Fire and the plant owner, Blue Mountain Electric Company. No IBank funds will be at risk and IBank will only provide loan servicing and support. The project is to construct a 3 megawatt forest waste biomass facility in Calaveras County. The \$1.4M loan will be used for interconnection fees and working capital. The Project will benefit the community by reducing fire risk while promoting sustainable forest practices and improved air quality. It is also expected to result in 20-30 jobs for members of local tribes currently experiencing high unemployment. This is the second interagency agreement between IBank and Cal Fire. Last year, IBank entered into an interagency agreement with Cal Fire to administer a \$1.2M loan for the North Fork Bioenergy project.

The second project involves the Small Business Finance Center efforts to support and restart CA's struggling small business community. IBank received a \$25M allocation in the FY 20-21 budget to increase liquidity and available capital to CDFIs and other mission-based lenders. IBank is working to rapidly deploy funds and realizes the current guarantee programs may not operate sufficiently fast to help undercapitalized community lenders in the current crisis. IBank is exploring a potential partnership with private sector, impact investor and philanthropic foundation sponsors to create a special purpose entity that will purchase small business loans from CDFIs and other mission-based lenders. The loan purchases will effectively provide liquidity and re-capitalize lenders to make additional loans. IBank hopes state support and participation in this vehicle may lead to rapid deployment of substantially larger capital pools to small businesses. IBank will formally present the matter to the Board for approval prior to launch.

Mr. Wu concluded by expressing that during this period of uncertainty and difficulty, Alex Trebek, who is currently fighting stage IV pancreatic cancer and recently shared that his life has been a quest for knowledge and understanding, sets an example of perseverance.. He asked that IBank channel the same sprit to our efforts to find solutions for the people of CA.

Consent Item

3. Approve minutes from the meeting held June 24, 2020

Chair Dombrowski opened up discussion of the previous meeting's minutes. Ms. Miller moved to approve the minutes and Mr. Steinorth seconded the motion. After asking for and receiving no public comment, the Board unanimously approved the June 24, 2020 Meeting Minutes.

Action Items

4. Resolution No. 20-10 approving the issuance of fixed rate taxable and/or tax exempt revenue bonds in an amount not to exceed \$150,000,000 to refund the outstanding IBank Series 2008 A&B Bonds initially issued for the benefit of Los Angeles County Museum of Natural History Foundation and used to finance an eligible project located in the City of Los Angeles.

Mr. Steven Wright, Public Finance Specialist, introduced Resolution 20-10. Mr. Wright described the project and the public benefits of the financing. He then introduced the Foundation's representatives: Robin Aspinov, CFO (Natural History Foundation), Kevin Hale, Bond Counsel (Orrick), AJ Prager, Financial Advisor, and Doug Brown, Underwriter (Wells Fargo). Chair Dombrowski welcomed the representatives and invited comment on the project.

Ms. Aspinov addressed the Board and thanked them for their time. She noted the project was a straight forward refinancing providing the benefits noted by Mr. Wright, and that she was available to answer any questions. The Board had no further questions.

Chair Dombrowski then asked for public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 20-10.

5. Resolution No. 20-11 approving the issuance of fixed rate taxable and/or tax exempt bonds in an amount not to exceed \$70,000,000 for the benefit of Equitable School Revolving Fund to finance eligible projects located in the Counties of San Mateo, San Joaquin, Los Angeles, Solano, and Sacramento.

Mr. John Belmont, Public Finance Specialist, introduced Resolution 20-11 and described the project and the public benefits. He then introduced the Fund's representatives: Mike McGregor, Chief of Staff (Fund), and Eugene Clark-Herrera, Bond Counsel (Orrick). Chair Dombrowski welcomed the representatives and invited comment on the project.

Mr. McGregor started by describing the operations of the Equitable School Revolving Fund and its impact across California. He was proud of the Fund's partnership with IBank on its 2019 financing and noted the Fund had committed approximately \$80M in low rate revolving loans to charter schools in California, greatly benefiting underserved children. Chair Dombrowski thanked Mr. McGregor and asked the Board if it had any questions.

Mr. Jimenez asked about the deal structure, the role of the Arizona Industrial Finance Authority, and why IBank intended to issue a Series A and Series C. Mr. Pahland responded that the IBank issuance was part of a larger transaction. IBank was issuing the bonds that would only be spent in California (Series A & C), and an issuer in a different state would issue Series B & D, although they would be marketed together. Mr. Jimenez thanked Mr. Pahland for the clarification.

Chair Dombrowski then asked for public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 20-11.

6. Resolution No. 20-12 approving adoption of an inducement resolution for the benefit of DesertXpress Enterprises, LLC for a planned project located in San Bernardino County.

Mr. John Belmont, Public Finance Specialist, introduced Resolution 20-12. He discussed how the rail project had been broken into phases. Phase 1 involved the route from Apple Valley to Las Vegas and Phase 2 involved the extension from Apple Valley into Rancho Cucamonga. Mr. Belmont explained that Resolution 20-12 was an inducement resolution that allowed the reimbursement of costs related to Phase 2. He then introduced the DesertXpress Enterprises' representative: Hussein Cumber, CFO (DesertXpress), and John Wang, Bond Counsel (Orrick). Chair Dombrowski welcomed the representatives.

Mr. Pahland provided further clarification into the role of an inducement resolution under federal tax law and how it allowed for reimbursement of current expenditures from a subsequent tax-exempt bond financing. He clarified that this did not bind the issuer to subsequently issue the bonds, it merely provided the ability to reimburse prior capital expenditures if tax-exempt bonds were in fact issued. Mr. Wang agreed that this was an election to preserve financial flexibility under federal tax rules. Mr. Cumber added that this inducement resolution would also not have any impact on the CDLAC allocation process. The goal of Resolution 20-12 was to allow DesertXpress to reimburse itself for expenditures on pre-development work.

Ms. Ma noted the project's momentum and that Clark County, NV had just advanced the Nevada portion of the financing to the Nevada Board of Finance for approval on July 24, 2020. Mr. Cumber noted the financing remained on schedule.

Ms. Miller noted that although her office supported the project, because certain due diligence and permits remained to be completed, she would be abstaining from today's vote. Mr. Cumber acknowledged the work remaining and stated it was largely these efforts that the resolution sought to reimburse. Each of the remaining steps, including environmental and engineering reviews and station acquisition, would likely cost many millions so DesertXpress wanted to be sure it would be able to recover those costs. The decision to seek the reimbursement resolution was solely internal fiscal management and was not intended to obligate or influence IBank or any other state agency. Ms. Miller thanked Mr. Cumber but noted a vote here could have an imprimatur of approval, and more was required before that point.

Mr. Jimenez noted he would also abstain. He agreed there were open environmental questions, along with public benefits and the involvement of other state and federal agencies that needed to be resolved. He also clarified that Board approval of this Resolution would not be approval of Phase 2 and did not exclude any other project in that region.

Mr. Steinorth responded that as a resident of Rancho Cucamonga he could confirm the excitement and momentum of the project as the city worked to develop a regional transportation plan that would tie into the planned high-speed rail terminus. He noted he shared the same concerns as other Board members but that he understood the operational need for this resolution and that it did not bind IBank to undertake the financing.

Noting the two abstentions, Chair Dombrowski asked the Board if they should consider tabling the matter to allow for further developments. Mr. Cumber responded that he sought action by the Board today. He noted other parties had imposed deadlines on the project and he intended to use funds under the Resolution to keep the project on track. While the company had and continued to spend significant funds, it wanted to be certain of reimbursement before undertaking certain larger cost items. Mr. Pahland noted that certain soft costs did not require a reimbursement resolution, but Mr. Cumber responded they had already exceeded certain IRS caps and thus needed the Resolution.

Ms. Ma noted this was a good project, but a bit like a Rubik's Cube, in that multiple parts were moving at once in coordination. She was confident the items would be resolved and the project would move forward. Ms. Miller agreed and stated she wanted to continue work on all these fronts and keep the dialogue open. Ms. Miller asked the Secretary to confirm that presentation of this item for a vote now would not prejudice or impact a later hearing on the matter. It was so confirmed.

Mr. Steinorth liked the Rubik's Cube analogy and asked Mr. Cumber what impacts a "no" vote today might have on the project. Mr. Cumber responded that other transportation projects were considering using rights of way favored by his project and so time was of the essence. He also noted the need to coordinate with local and regional transportation agencies regarding use of the Rancho Cucamonga terminus as a multi-modal transport hub featuring links to Ontario airport. Mr. Steinorth agreed there was a lot of effort and coordination required to create such an important transportation infrastructure center and that any delay by DesertXpress could increase costs and cause delay to other parties. He asked the other Board members to consider the impact of this project to the regional economy and to continue the positive momentum with this vote while retaining overall ability to approve or deny Phase 2 financing with a subsequent vote.

Mr. Jimenez asked about the statement in the Resolution that IBank "reasonably believes" the project will cost \$1.65B and where that originated. Mr. Pahland noted that the IRS and Treasury Regulations require a reasonable expectation of the issuance size. Mr. John Wang confirmed that this approximation was used to trace and confirm that the intent to reimburse was applied to the actual expenditure of funds. Mr. Jimenez confirmed his understanding of the technical nature of the amounts and that this was a ballpark figure.

Chair Dombrowski then asked for public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Ma seconded. Joining the earlier abstentions of Ms. Miller and Mr. Jimenez, Chair Dombrowski confirmed that he too would abstain from this vote. Ms. Ma and Mr. Steinorth then both voted to pass Resolution 20-12, but the motion did not receive the three affirmative votes required by the IBank Act to pass.

Chair Dombrowski concluded the matter by affirming the parties' intent to keep working on the issues discussed.

- 7. Resolution No. 20-13 approving the issuance of revenue bonds in an amount not to exceed \$22,000,000 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 20-13. Mr. Wright described the project and the public benefits and recounted the events of the April 2020 meeting where IBank had tabled consideration of the project to resolve financing of the "housing" element. He confirmed the "housing" element would not be part of this revised financing. Mr. Wright then introduced the Group's representatives: John Kjenner, CFO (Chadwick), and Sam Balisy, Bond Counsel (Kutak). Chair Dombrowski welcomed the representatives and invited comment on the project.

Mr. Kjenner thanked the Board but declined further comment. Chair Dombrowski sympathized with Mr. Kjenner that the revised project financing might not be ideal but thanked the Chadwick Group for working with IBank to find a solution.

Chair Dombrowski then asked for public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Amended and Restated Resolution 20-13.

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 2:51 p.m.