

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held telephonically on
Wednesday, October 28, 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 2:00 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.

He noted that on today’s date in 1886 the Statue of Liberty was commemorated as a gift from France to celebrate America’s abolition of slavery. The Statue of Liberty National Monument also includes Ellis Island, this country’s first federal immigration station and once the beacon of freedom welcoming millions of immigrants arriving by sea. This monument has become the symbol of America itself and the American dream we project to the world.

In a recent meeting the Governor had inspired his executives to look beyond the immediate challenges and focus on the enduring power of the California Dream. Mr. Wu spoke of his personal experience with the power of this Dream. How, during his work with refugees and

the forgotten over the past 3 decades, at camps, orphanages and ghettos throughout the developing world, the America Dream burned strong and bright. How, as a young child immigrating with his family to Minnesota, he had personal appreciation for the Statue of Liberty and the values it represented. How, during cold Minnesota winters, he dreamed of San Diego's beaches, Disneyland, the nation's tallest mountains and deepest valleys, redwoods and Joshua trees, Lake Tahoe and the Mojave Desert, and Hollywood. He remembered the moment his dream became a reality; the family's first real vacation was a glorious drive up the California coast.

Mr. Wu related that through his work and travels around the world, he had learned that the world saw America through the lens of the California Dream and he was confident in its future. As he noted to a conference panel recently, nothing keeps him up at night about CA's future except the hard work we're doing around the clock to come up with solutions for our communities.

While many risks remain ahead, California has withstood everything mother nature and the economy have had to throw at us and the underlying fundamentals remain strong: a creative and innovation hub of the world, a true melting pot of top talent, and land and resources that are the envy of all. Mr. Wu concluded he was confident California would soon be leading the nation and the world into the future once again.

He finished by noting to the Board that he would be presenting the upcoming launch of the California Rebuilding Fund to the full Recovery Task Force this afternoon.

Consent Item

3. Approve minutes from the meeting held September 23, 2020

Chair Dombrowski opened-up discussion of the previous meeting's minutes. Secretary Spich informed the Board that Mr. Wu had asked him to update certain portions of the September 23 Minutes specifically related to the Executive Director's report with additional information. The Board noted this request. Ms. Miller moved to approve the minutes, as so amended, and Mr. Steinorth seconded the motion. After asking for and receiving no public comment, the Board unanimously approved the September 23, 2020 Meeting Minutes, as so amended.

Action Items

4. Resolution No. 20-19 approving the issuance by the California Infrastructure and Economic Development Bank ("IBank") of fixed-rate taxable and tax-exempt Infrastructure State Revolving Fund Revenue Bonds (2020A Bonds) in a par amount not to exceed \$420,000,000 and the use of the proceeds, together with other funds available to IBank, to (i) refund and defease all or a portion of the currently outstanding principal amount of IBank's 2014A Bonds, 2015A Bonds and 2016A Bonds (collectively, the "Outstanding Bonds"), (ii) establish and fund an escrow to refund and defease all or a portion of the Outstanding Bonds, (iii) fund a reserve fund, (iv) provide funds to reimburse or fund loans to Infrastructure State Revolving Fund Program loans, (v) provide funds for the administration and operation of the Infrastructure State Revolving Fund Program, and/or (vi) pay costs of issuance.

Fritz Pahland, IBank's General Counsel, introduced Resolution 20-19. He began by noting that though he was presenting this item for administrative purposes, he remained available to answer the Board's legal questions, when and as they arose.

Mr. Pahland started with an overview of the background of the ISRF Program finances. He noted the IBank's history of using core funds to make loans, leveraging those loans

into bonds, and then using those funds to make new loans and thereby grow the Program.

The proposed ISRF Series 2020A Bond transaction had two components: i) refunding of prior ISRF Bonds, and ii) a potential new money component. A new wrinkle to this formula was that Resolution 20-19 would provide IBank with the authority to specifically tailor its offering, both as to size and timing, to best take advantage of low interest rates.

On the refunding component, IBank intended to refinance some or all of its ISRF Series 2014, 2015, and 2016 Bonds. These prior bonds were issued as tax-exempt but would be refunded by the Series 2020A Bonds with taxable debt.

Mr. Pahland then discussed how a taxable refinancing could benefit IBank. First, it would free IBank from compliance with certain federal tax requirements, including restrictions on private use, which would allow IBank to consider a broader range of projects. Second, it would result in defeasance of the prior Bonds and all new debt would be issued under a new and more flexible indenture. In particular, the new indenture would allow for greater ability for IBank to adjust obligations for struggling borrowers and to engage in workouts. Third, due to the historic low taxable rates, there would still be a substantial cost savings in the refinancing. Finally, the new Indenture would not require a reserve fund, meaning the prior reserve fund would be returned to IBank and could be used for new ISRF lending.

Mr. Pahland then addressed the new money component of the transaction. He noted the size discussed had ranged from up to \$80 million, but would likely be on the lower end of the scale. This new money component would be issued on a tax-exempt basis, as there remained plenty of ISRF projects which complied and could benefit from the even lower tax-exempt rates.

He concluded by noting the “optionality” function meant that IBank could sell the 2020A Bonds at more than one time, and, with an eye on the spread between taxable and tax-exempt rates, enter the market to maximize savings. He noted this project was the culmination of months of hard work by IBank Staff and IBank’s consultants and advisors. Mr. Pahland then introduced the IBank’s representatives: Greg Swartz, underwriter (Piper Jaffray), Juan Fernandez, underwriter (J.P. Morgan), Alex Pop-Lazic, financial advisor (Lamont), Brandon Dias, bond counsel (Orrick), and Kevin Civale, disclosure counsel (Stradling).

Mr. Wu thanked Mr. Pahland for the presentation. He added that this was a major event for IBank, and a great opportunity to take advantage of historically tight interest rate spreads. The new money component would replenish IBank’s ISRF lending capacity and the historically low rates meant that IBank could pass these savings on to its borrowers across California. The refunding also would provide IBank with capacity to respond to needs of current borrowers and help them avoid default in this difficult time. Finally, the use of taxable refunding would allow IBank to consider a broader range of projects going forward and help sustain the California recovery.

Chair Dombrowski thanked Mr. Pahland and Mr. Wu for the comprehensive presentation and asked the Board if they had any questions.

Mr. Jimenez agreed this will be an unprecedented IBank achievement, and noted his appreciation for the excellent staff report. He asked for clarification on whether IBank Staff had in fact recommended Option 1 as presented in the staff report. Mr. Pahland responded affirmatively, but noted Option 1 itself must meet the requirements of the IBank’s Debt Management Policy and the transaction must meet a certain savings

threshold to be undertaken. If IBank were unable to meet these requirements, it would pursue Option 2 and, based on market conditions, might refinance only one or two series of the current outstanding ISRF Bonds. Mr. Jimenez asked whether Resolution 20-19 provided IBank Staff with sufficient authority to make this determination. Mr. Pahland confirmed it did. Mr. Jimenez then asked whether there would be greater transaction costs for multiple issuances under Option 1. Mr. Pahland confirmed that multiple transactions would have a greater cost, but that this structure would also result in greater overall savings. Multiple transactions would help ensure that debt issuances would be closely coordinated with the needs of IBank's loan pipeline, and thereby reduce time and carrying costs of such debt. Mr. Wu confirmed this and added that improved cash management ability would ultimately outweigh increased costs of issuance. Mr. Jimenez thanked them for the clarification. Ms. Miller concurred and noted this was a great result for IBank.

Chair Dombrowski then asked for public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board unanimously approved Resolution 20-19.

- 5. Resolution No. 20-20 approving the issuance of one or more of senior, subordinate, and/or junior, taxable and/or tax-exempt revenue bonds in an amount not to exceed \$100,000,000 for the benefit of WFCS Holdings II, LLC, the proceeds of which will be used to (i) finance the acquisition of eligible projects located in the cities of Richmond, San Bernardino, and Lancaster, (ii) finance improvements to the acquired projects, (iii) fund a debt service reserve fund, and/or (iv) pay costs of issuance.**

Mr. Steven Wright, Public Finance Specialist, introduced Resolution 20-20 and discussed the project and its public benefits. He noted that Wonderful Foundation had issued a previous obligation in 2020 through IBank, and welcomed them back. He then introduced the representatives from the Foundation: John Cairns, director, and Chas Cardall, bond counsel (Orrick). Chair Dombrowski welcomed the representatives and asked them to comment on the project.

Mr. Cairns began by noting to Mr. Wu that, as a resident of Minnesota himself, it was nice to see another Vikings fan. He noted he was excited for this project and was happy to be back working with IBank. Chair Dombrowski thanked Mr. Cairns and opened up discussion for Board questions.

Mr. Jimenez noted that the staff report mentioned pending litigation related to one of the project's properties and asked for more detail regarding the status and the liability exposure. Mr. Cardall responded that although the Resolution 20-20 would include authority to acquire this property, the Foundation was not required to proceed with the property acquisition. Mr. Cardall continued that this was a land use-nuisance type of dispute between adjacent property owners, and while the ultimate liability was relatively small, the Foundation had options to resolve the dispute and the option to avoid the property, and the lawsuit, all-together. Mr. Cardall concluded that if the dispute could not be settled satisfactorily the property would not be acquired. Mr. Jimenez thanked Mr. Cardall and agreed it was good to be proactive in seeking a solution or to be able to avoid the litigation entirely.

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

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 2:37 p.m.