

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held telephonically on
Wednesday, June 23, 2021, 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.

Mary Hoang acted as the moderator of this call and Chair Dee Dee Myers, Director of the Governor’s Office of Business and Economic Development, started by providing technical instructions to participants regarding participation and public comment.

Chair Myers 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, Dee Dee Myers, Director of the Governor’s Office of Business and Economic Development,
Gayle Miller for the Department of Finance,
Elissa Konove for the State Transportation Agency,
Matthew Saha for the State Treasurer, and
Marc Steinorth, Governor’s Appointee

IBank staff members attended by electronic means:

Scott Wu, Mary Hoang, William Pahland, Jr., and Stefan Spich

Information Item

2. Executive Director’s Report

Scott Wu, IBank’s Executive Director, delivered the Executive Director’s Report.

Mr. Wu began his report by noting that, on today’s day in 1972, President Nixon was taped plotting with his Chief of Staff to have the CIA obstruct the FBI investigation into his administration – an egregious use of the nation’s institutional powers for corrupt political purposes. A unanimous Supreme Court decision led to the release of the tapes, and once revealed, this smoking gun evidence of the President’s commands would seal his fate. Mr. Wu reflected that such extraordinary abuses of power were once considered shocking and would trigger broad bipartisan redress.

Mr. Wu noted that on this very same day, President Nixon also signed into law the Higher Education Amendments of 1972, also known as “Title IX”. Title IX was enacted as a follow-up to the passage of the Civil Rights Act of 1964 and states that:

No person in the United States shall, based on sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving federal financial assistance.

Mr. Wu explained that while the language sounds rather mundane, Title IX triggered a tidal wave of far-reaching impacts across education. Without a single mention of sports, Title IX forced schools to create athletic opportunities for females to meet requirements of proportionate participation by gender. Mr. Wu placed the impact in context with the following statistics:

- In 1972, fewer than 300,000 high school and 30,000 college females participated in sports. Today, those numbers have increased more than 10-fold to over 3.2 million in high school and 500,000 in the NCAA.
- Women's 2% share of athletic budgets in 1972 increased to 40% by 2010, and nonexistent female athletic scholarships reached 48% of the total.
- By 2010, women were a majority of the national student body, and an even greater majority of associate's, bachelor's, master's and PhD awards.

Mr. Wu summed up this impact to mean that in the decades following the passage of Title IX, sports and higher education ceased to remain the exclusive domain of men.

Mr. Wu then reflected that Title IX impacts now reverberate beyond higher education. He noted that on today's date in 1894, the International Olympic Committee was founded to organize the first modern Olympics in 1896 in Athens. Mr. Wu expressed his excitement for the opening ceremonies of the Tokyo Olympics, in one month's time, and the next iconic female sports moment.

Mr. Wu noted watching this week California's female athletes succeeding at the highest levels: Elk Grove's Megan Rapinoe and Cal Bear's Alex Morgan leading the US Women's team over Nigeria, Stanford's Simone Manuel recovering from hardship to make the Olympic team in the 50 freestyle, and USC's Allyson Felix's incredible come from behind finish in the 400 to make her 5th Olympics with her little girl cheering at the finish line.

Mr. Wu further explained that Title IX was also the tool used to combat sexual misconduct. Title IX was ruled by the courts to establish that sexual harassment be considered as illegal sex discrimination and placed the responsibility upon schools to take immediate and effective steps to end sexual harassment and sexual violence. Courts deemed that such acts interfere with a student's right to receive an education free from discrimination. The Department of Education's leverage was considerable, holding the right to deny access to federal funds.

Mr. Wu noted this impact has resulted in colleges establishing Title IX offices with specialized staff to address sexual misconduct claims on campus. Such protections were included for transgender students during the Obama Administration. Mr. Wu noted his personal connection to the issue; that as a board member of Callisto, a sexual assault reporting platform for college campuses, his organization was proud to respond last week to the Biden Administration's request for input on potential Title IX policy modifications. He also looks forward to our first female Vice President's speech on gender equity at the UN next week.

Mr. Wu then lamented that the Equal Rights Amendment may have had even more profound effects across all of society, but that it remains stalled from passage, one state short of the 38 required for a constitutional amendment. The ERA ratification process began the same year the lesser-known Title IX was passed. Mr. Wu expressed hope that such laws or constitutional amendments will not be necessary a half century from now.

Mr. Wu noted other challenges facing women beyond higher education, including large pay and opportunity gaps throughout society, as highlighted in the financial sector. According to a Stanford SPARQ study in 2019, of the \$69 trillion of global financial assets under management across mutual funds, hedge funds, real estate and private equity, fewer than 1.3% are managed by women and people of color. In the venture industry, more than 90% of decision makers are male. Mr. Wu suggested that as a direct result on this imbalance, gender-diverse founding teams receive only 14% of all venture dollars despite strong evidence of superior results. Mr. Wu noted this problem has been exacerbated by the pandemic's disproportionate female job losses and business failures, that have resulted in what has been referred to as America's first female recession.

Mr. Wu responded that IBank has been seeking to help address this enormous gender inequity. IBank's FDC partners are comprised of 58% female employees who work to provide small business loan guarantees, at a ratio of 43% to female business owners to date. Similarly, nearly 40% of loans from the CA Rebuilding Fund are to female owners. IBank is also currently contemplating a state venture capital program targeted to underrepresented populations, such as female fund managers and start-up entrepreneurs.

Mr. Wu continued that although he watched a lot of sports last weekend, he also commemorated the first Juneteenth to be recognized as a national holiday. In a curious twist showing the complexity of history, Mr. Wu noted that also on June 23rd of 1865, the last Confederate General surrendered, ending the Civil War. Mr. Wu explained that this Brigadier General, Stand Waite, was also a Principal Chief of the Cherokee Nation and the only Native American to attain the rank of General during the Civil War. Mr. Wu noted General Waite's fight was not to preserve the institution of slavery, but fear of the federal government's encroachment of Indian Territory in its westward expansion to create the state of Oklahoma. Native Americans have long continued to suffer from perpetual loss of land, rights, and broken treaties.

Mr. Wu was happy to report that the US Treasury is allocating \$500 million of small business funds to Tribal governments from the State Small Business Credit Initiative. Mr. Wu noted that separately at IBank, the authority to fund Tribal projects was explicitly included in the formation of our Climate Catalyst Fund. IBank is also able to support businesses on Tribal lands via our Small Business Finance Center. Mr. Wu concluded we have a long way to go to rectify past damage to Native American communities, but the time is always right to do what's right.

Mr. Wu continued with the very busy day in world history that was June 23rd, noting today is also the 5-year anniversary of Brexit, a high-water line for nationalistic movements. Mr. Wu contrasted that moment with President Biden's recent G7 meeting, and his message – America is back, back to lead the free world to join forces in a spirit of global cooperation to address our common problems and common adversaries.

Mr. Wu was also proud to point out, if anyone had a doubt, that California is also back. From last year's endless parade of negative headlines on our mass exodus, the hostile business environment and the state's certain demise to last week's Bloomberg headline reading "California Defies Doom . . . The Golden State has no peers when it comes to expanding GDP, raising household income, investing in innovation and a host of other key metrics." Mr. Wu disputed the narrative that California taxes are too high, regulation too stifling, natural disasters too catastrophic, all making California unlivable. Instead, Mr. Wu pointed out that Bloomberg and Forbes articles now tout California's dominant leadership across key sectors relative to the rest of the nation as well as globally; from venture capital and start-up success, to energy, agriculture, CleanTech, construction and manufacturing in terms of investments, jobs and output.

Mr. Wu then counseled that just as folks were too quick to declare failure, we should not rush to declare victory, either as a state or a country. COVID is still with us, and we should not underestimate the risks posed by waning vaccinations and increasing variants. US retail sales were surprisingly down last month, although up 28% from last spring. Mr. Wu noted an outlier was the 200% increase in clothing sales – which he joked might be explained by a colleague’s updated fashion. Mr. Wu continued that demand is returning but supply chains struggle to fully recover and a labor market transition may portend permanent structural changes to the economy. Mr. Wu noted a significant shift following news of a 4.9% CPI increase, as the Fed announced that it now expects at least two interest rate hikes in 2023. Mr. Wu summed up that while we’re far from out of the woods, the California sunshine is visible in the horizon once again.

Mr. Wu asked that as we prepare to watch the Tokyo Olympics, to keep special focus on California’s athletes, who collectively won 27 gold medals at the 2016 Summer Olympics. While it’s difficult to break down team medals, if California competed as its own country, California would most likely have surpassed #2 Great Britain’s 27 golds and perhaps even the other 49 states of #1 USA (47 total) for the top spot on the standings. All, of course, powered by California’s women.

Chair Myers thanked Mr. Wu for the tour across a busy day in history and for establishing IBank’s activities against their larger social and historical context.

Consent Item

3. Approve minutes from the meeting held April 28, 2021

Chair Myers opened up discussion of the previous meeting’s minutes. Ms. Miller moved to approve the minutes, as amended, and Mr. Steinorth seconded the motion. Ms. Konove stated she would abstain from voting on the matter. After asking for and receiving no public comment, the remaining Board members unanimously approved the April 28, 2021, Meeting Minutes, as amended.

Action Item

4. Resolution No. 21-09 authorizing a partial reallocation of the proceeds of the obligation approved pursuant to Resolution 21-05 to an eligible project located in the City of Oakland.

John Belmont, Public Finance Specialist, introduced Resolution 21-09. He then introduced the representatives of Seneca Family of Agencies; Janet Briggs, CFO (Seneca), and, Frederick Kuhlman, Bond Counsel (Hawkins). Chair Myers welcomed the representatives and asked them to comment on the project.

Ms. Briggs discussed Seneca’s need for the reallocation of funds, and briefly discussed the use of funds for improvement of the Oakland property.

Chair Myers thanked Ms. Briggs and then asked for any other public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Resolution 21-09.

5. Resolution No. 21-10 approving lending Infrastructure State Revolving Fund Program funds to the City of Escondido in an amount not to exceed \$25,000,000 to finance an eligible project known as the San Pasqual Undergrounding Project located in the County of San Diego.

Lina Benedict, Loan Origination Manager, introduced Resolution 21-11. She then introduced the representatives of the City of Escondido; Christopher McKinney, Deputy City Manager/Director of Utilities, Angela Morrow, Deputy Director of Utilities/Construction and Engineering, Serena Kirkbride, Management Analyst II, and Christina Holmes, Director of Finance. Chair Myers welcomed the representatives and asked them to comment on the project.

Ms. Morrow thanked the IBank Board for their consideration. She then briefly discussed the project including the City's water infrastructure and how this project fit into a larger settlement related to water rights in northern San Diego County. She noted this project would increase the partnership between the City and the local Tribal Bands while also improving the City's water supplies.

Chair Myers thanked Ms. Morrow and then asked for any other public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 21-10.

6. Resolution No. 21-11 superseding Resolution 16-07, modifying and restating prior delegations of authority from the Board of Directors to the Executive Director.

Ross Culverwell, Chief Credit Officer, introduced Resolution 21-11. He explained this resolution was intended to supersede the delegated authority of Resolution 16-07. He then briefly discussed the Board's current delegated authority and how Resolution 21-11 would amend and restate this authority. Mr. Culverwell noted an important new delegated authority related to the ability to reduce interest rates on current IBank loans without Board approval. He noted in the current low interest rate environment, and driven by borrower inquiries, the IBank's ability to keep pace with current market rates was an important aspect of customer service and remaining competitive.

In such circumstances, Mr. Culverwell noted rate reductions are a reasonable adjustment and the process should be an available option for portfolio management. Resolution 21-11 would only permit a rate reduction if it did not impact the debt's tax-exempt status, did not impact any outstanding IBank obligations, and was deemed in the customer's and IBank's mutual interests. Any rate reduction proposal would be brought by the loan servicing team to the credit risk committee for consideration prior to approval by the Executive Director. IBank would report back to the Board after a rate reduction had been agreed to and executed.

Ms. Miller thanked Mr. Culverwell for the inclusion of a report back to the Board as an important part of Board's continued oversight.

Chair Myers thanked Mr. Culverwell and then asked for any other public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 21-11.

Reporting/Non-Action Business

Public Comment and Adjournment

Chair Myers then asked for a final general public comment. Hearing none, Chair Myers declared the meeting adjourned at approximately 2:30 p.m.