# EXECUTIVE SUMMARY

<table>
<thead>
<tr>
<th>Issuer:</th>
<th>California Infrastructure and Economic Development Bank (“IBank”)</th>
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<tbody>
<tr>
<td>Par Amount Requested:</td>
<td>Not to exceed $150,000,000</td>
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<tr>
<td>Type of Issue:</td>
<td>New Money</td>
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**Issue New Bonds and Use of Bond Proceeds:**

IBank proposes to issue fixed-rate tax-exempt Infrastructure State Revolving Fund Revenue Bonds (the “Bonds”) and use the proceeds, together with other funds available to IBank, to (i) finance or refinance loans to eligible borrowers, including local governments, state agencies, and certain non-profit organizations for infrastructure and economic expansion projects pursuant to the Infrastructure State Revolving Fund (“ISRF”) Program; and (ii) pay costs of issuance.

**Public Benefits:**

Issuing the Bonds will enhance IBank’s ability to continue to provide low-cost, long-term financing to eligible borrowers for a variety of infrastructure and economic expansion projects throughout the state.

**Financing Structure:**

- **Type of Issue:** Publicly offered fixed-rate bonds, issued in minimum denominations of $5,000 or integral multiples thereof.
- **Tax Status:** Tax-exempt series.
- **Term:** Expected to be not later than October 1, 2053
- **Credit Enhancement:** None.

**Financing Team:**

- **Bond Counsel:** Orrick, Herrington & Sutcliffe LLP
- **Disclosure Counsel:** Stradling Yocca Carlson & Rauth
- **Senior Managing Underwriter:** J.P. Morgan Securities, LLC.
- **Co-Senior Managing Underwriter:** Piper Sandler
- **Underwriter’s Counsel:** Kutak Rock LLP
- **Financial Advisor:** Lamont Financial Services Corporation
- **Trustee:** U.S. Bank National Association
- **Agent for Sale:** California State Treasurer

<table>
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<tr>
<th>Date of IBank Board Meeting:</th>
<th>November 16, 2022</th>
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<tr>
<td>Date of Staff Report:</td>
<td>October 24, 2022</td>
</tr>
<tr>
<td>Resolution Number:</td>
<td>22-17</td>
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**Staff Recommendation:**

The Staff recommends approval of Resolution No. 22-17 authorizing issuing the Bonds with (i) a par amount not to exceed $150,000,000, (ii) a true interest cost (“TIC”) not to exceed 5.5%, and (iii) a final maturity not expected to be later than October 1, 2053.
IBank staff ("Staff") requests authorization to issue the Series 2022A Bonds ("2022A Bonds") of ISRF Program Bonds up to $150 Million dollars pursuant to the Indenture, dated as of February 1, 2014 (the "Master Indenture"), between IBank and U.S. Bank National Association, as Trustee ("Trustee"), as supplemented and amended, including as supplemented by the Fifth Supplemental Indenture, to be dated as of December 1, 2022, between IBank and the Trustee (the "Fifth Supplemental Indenture") and to use the proceeds to reimburse ISRF Program loans IBank made in the recent past and to fund ISRF Program loans IBank intends to make in the near future (the "New Money"). The Master Indenture as supplemented and amended is referred to herein as the "Indenture." IBank’s Executive Director will determine the ultimate amount of new money borrowing at or about the time of Bond pricing based on ISRF Program cash flows and projected needs.

It is expected that approximately $115.8 million of the proceeds of the 2022A Bonds will be used to refinance ISRF Program Loans, which IBank has previously made from the Equity Fund. All of the ISRF Program Loans which will be refinanced were made to governmental borrowers for projects which qualify for tax-exempt financing pursuant to the Internal Revenue Code.

The TIC of the New Money would be equal to or less than 5.5%. Interest on the 2022A Bonds is expected to be payable each April 1 and October 1, commencing on April 1, 2023, with annual principal payments due on October 1, commencing on October 1, 2023.

Under the ISRF Program IBank makes loans to California governmental entities for infrastructure and economic expansion projects (the "Loans"). To provide funding for the ISRF Program, IBank issued the Series 2020A Bonds (Federally Taxable) ("2020A Bonds") in the principal amount of $324,340,000 with TIC of 2.118% on December 17, 2020. The proceeds of the Series 2020A were used to (i) advance refund and defease all of the outstanding Infrastructure State Revolving Fund Revenue Bonds Series 2014A (the "2014A Bonds"), the outstanding Infrastructure State Revolving Fund Revenue Bonds Series 2015A (the "2015A Bonds"), and the outstanding Infrastructure State Revolving Fund Revenue Bonds Series 2016A (the "2016A Bonds") (the 2014A Bonds, the 2015A Bonds and the 2016A Bonds, collectively, the ("Refunded Bonds")), and (ii) pay costs of issuance of the 2020A Bonds.

The Refunded Bonds were issued and secured by IBank pursuant to the 2014 Master Indenture. Use of the proceeds of the 2014A Bonds included refunding the IBank Series 2004 and the Series 2005 Bonds and providing capital for Loans. Use of the proceeds of the 2015A Bonds included refunding the IBank Series 2008 Bonds and providing funds for Loans. The proceeds of the 2016A Bonds were generally used to fund Loans. The Refunded Bonds were issued on a fixed-rate tax-exempt basis. The Refunded Bonds were generally secured by, and payable from, Loan revenue. The Refunded Bonds are currently escrowed and are rated as “Aaa” and “AAApre” by Moody’s and Fitch Ratings, respectively.

The 2020A Bonds currently are rated as “AAA”, and “AAA” by Fitch Ratings, and Standard & Poor’s, respectively. The 2020A Bonds current outstanding balance, as of Oct
IBank ISRF Loans

IBank has made 137 ISRF Loans with initial principal amounts totaling nearly $800 million over the life of the program. As of September 30, 2022, IBank has 98 outstanding ISRF Program loans pledged as security for the Outstanding Bonds (the “Pledged Loans”) with current principal balances totaling approximately $451.5 million. All payments on the Pledged Loans have been made on time and the Pledged Loans are in compliance with the material financial covenants of their governing financing agreements. IBank has two Loans that are not pledged as security for the Outstanding Bonds. Collectively, those Loans have an approximately $2.3 million outstanding principal balance. One Loan is to the Sacramento-Yolo Port District and the other is to the Paradise Irrigation District.

PROPOSED BOND STRUCTURE

If approved by the Board, the 2022A Bonds will be issued under the Indenture, which provides for a common pool of assets/loans pledged to secure all series of ISRF Program Bonds generally on a parity basis under the Indenture. The 2022A Bonds will be payable from and secured by a pledge and assignment of the Collateral on a parity with the 2020A Bonds (“Collateral” is defined below.) By allowing more than one series of ISRF Program Bonds to be secured by a common pool of assets/loans, the Indenture reduces the need for tracking separate loans pledged to separate series of bonds issued under separate indentures and tracking separate covenants specific to each series. The Indenture structure allows to (i) ease cash flow administration, (ii) increase credit capacity for future leveraging allowing for more efficient debt service coverage as program demand increases, (iii) increase flexibility for additional ISRF Program Bond issuances, and (iv) use one common pool of assets to satisfy bond debt service coverage ratios for the 2020A Bonds, 2022A Bonds and all future bonds issued under the Indenture. The Fifth Supplemental Indenture is the 2022A Bonds indenture and supplements the Indenture but does not amend it.

The 2022A Bonds will be issued in fully registered form, without coupon, in denominations of $5,000 or integral multiples thereof.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Collateral

If approved by the Board, the Bonds will be limited obligations of IBank, payable solely from and secured by a pledge and assignment of all of IBank’s rights, title, and interest in and to revenue from the Pledged Loans and moneys of the funds and accounts held under the Indenture (collectively, the “Collateral”). Money in IBank’s other funds and accounts would not be subject to this pledge or available under the Indenture. If IBank were to default on the Bonds the bondholders’ recovery would be limited to Pledged Loan revenue and money in certain of the Indenture funds and accounts. So long as projected Pledged Loan revenues and projected earnings on Indenture funds and accounts pledged as security for the Bonds are at least 1.2 times the Bonds’ debt service, IBank would not be obligated to pledge additional Loans to the Indenture.

The 2022A Bonds are not subject to acceleration upon the occurrence of an event of default.
No Reserve Fund

No debt service reserve fund will be established for the 2022A Bonds. The purpose of the reserve fund is to provide a backstop in case IBank is unable to timely make a debt service payment due to a temporary shortfall in Pledged Loan revenue. Because the ISRF Program has been operating for years and always had more than sufficient Pledged Loan revenue to make every debt service payment on time, IBank staff believes the bond investors will not require or expect IBank to maintain a reserve fund securing the Bonds. Therefore, IBank staff intends to issue the Bonds without establishing a reserve fund. However, if the presence of a reserve fund will materially lower the borrowing costs for IBank it will establish a reserve fund at the lowest possible amount. It will fund the reserve either with the Bond proceeds, IBank’s available ISRF Program cash on hand, or a combination of both.

RECOMMENDATION

The Staff recommends approval of Resolution No. 22-17 authorizing issuing the Bonds with (i) a par amount not to exceed $150,000,000, (ii) a true interest cost (“TIC”) not to exceed 5.5%, and (iii) a final maturity not expected to be later than October 1, 2053.