

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Wednesday, November 16, 2022, at 2:00 p.m.

IBank's meeting was virtual participation via teleconference, consistent with recent state law changes, with Board members attending remotely and meetings accessible and open to the public via teleconference only.

Chair Dee Dee Myers, Director of the Governor's Office of Business and Economic Development, welcomed everyone to IBan's Board meeting. She started by providing instructions to participants regarding process, participation, recording, and public comment.

1. Call to Order and Roll Call

Chair Myers then called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:03 p.m.

The following Board members attended via teleconference:

Chair Dee Dee Myers, Director of the Governor's Office of Business and Economic Development,
Gayle Miller for the Director of the Department of Finance,
Carlos Quant for the Secretary of the State Transportation Agency,
Blake Fowler for the State Treasurer, and
Marc Steinorth, Governor's Appointee

IBank staff members attended in person:

Scott Wu, Jaymie Lutz, 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 by noting that on this day in 1914, the Federal Reserve Bank, a network of 12 regional Federal Reserve Banks that constitute the Federal Reserve System, collectively our nation's central bank, officially opened. He explained that a series of financial panics and bank runs in the late 1800's, culminating in the Panic of 1907, led to the Federal Reserve Act of 1913, thereby displacing J. P. Morgan from personally acting as the nation's de facto central banker.

Mr. Wu noted the Federal Reserve Banks were created under a unique structure that balanced the interests of the US Government and its notional shareholders consisting of its "member banks," comprised of all nationally chartered and many state-chartered banks. As a result, it is deemed both a government entity whose excess profits accrue to the US Treasury, and yet legally considered a unique private corporation whose peculiar non-voting, non-tradeable common stock is owned by its member banks who deposit their reserves while receiving dividends. Mr. Wu explained that the Bank's decisions remain independent of the President and Congress, and it functions without congressional appropriations. Mr. Wu continued noting one of the Bank's most crucial functions is

providing liquidity to member banks, but that it also serves as a clearinghouse between banks, issues currency, issues federal debt and conducts open market activities.

While the public appears to continually express frustration at the actions or inaction from the Fed, and many in the cryptocurrency universe express distrust of the notion of central banking altogether, Mr. Wu assured that we survived recent financial crises much better because of Fed actions. This included averting massive unemployment and systemic financial collapse that could have swept much of the banking industry into insolvency along with the businesses that rely on their access to capital.

Mr. Wu then discussed the explosive growth of the Fed's balance sheet, noting that prior to the 2008 Great Recession, the Federal Reserve Bank's balance sheet was approximately \$800 billion for a prolonged period. It spiked to \$2 trillion in 2008 to address the crisis and stabilized around \$4 trillion up until the 2020 pandemic. To combat the pandemic economic dislocation, Fed activities increased its balance sheet to an unprecedented \$9 trillion, roughly where it stands today as it exits quantitative easing.

He commented that one can debate if the interventions during the pandemic were too much, or the interventions of the Great Recession, or for that matter, the Great Depression, were too little. The dual mandate of stabilizing prices while maximizing employment creates a balancing act that may seldom achieve universal satisfaction.

Mr. Wu concluded by stressing the importance of the Fed's role in maintaining the stability of the financial system, and in regulating and providing liquidity to banks. He wryly noted that those who had lost their offshore deposits last week in the FTX implosion may even be recalibrating their views on the necessity of financial regulation and central banking.

Mr. Wu then provided an Informational Item to the Board:

He noted the Golden State Tobacco Securitization Corporation has again requested that IBank, as owner of the 2007 residual certificate, consent to the issuance of bonds by the Corporation for purposes of restructuring and refunding existing debt. This request is consistent with requests from the Corporation for bond sales that occurred in 2021 and 2018.

Mr. Wu provided background, noting the Corporation was established in 2003 to purchase the State's rights to receive payments from the cigarette manufacturers settlement and issue bonds secured with this asset. The directors of the Corporation are the Director of Finance, the Director of General Services, the Director of Caltrans, the Treasurer and the Controller. Under the IBank Act, and the 2007 Indenture, as amended and restated in 2021, IBank was authorized to sell for the State, as its agent, the tobacco assets to the Corporation. In return for the tobacco assets, the Corporation provided the bond proceeds to the State.

The Corporation is in the process of issuing new 2022 bonds, in a principal amount not to exceed \$300 million, that are expected to close approximately December 15th. The exact sizing of the offering will be dependent upon market conditions at the time of sale. IBank's only participation in the transaction is to provide the required consent. Under the transaction documents, IBank board action is not required for this consent to be granted.

Mr. Wu then turned to a few administrative announcements.

He began by welcoming IBank's newest employee:

Taylor Carnevale joins our Climate Finance Unit. Before joining IBank, Taylor previously worked as Senior Climate Resilience Planner at the Governor's Office of Planning and

Research, where she led the organization's extreme heat portfolio, including California's Extreme Heat Action Plan and its Extreme Heat and Community Resilience Program. Taylor graduated from Gonzaga University and the California State University Capital Fellows Program.

Mr. Wu then announced an IBank promotion:

Pa Thao received a promotion to Senior Accounting Officer in our Fiscal Unit. She congratulated Pa and thanked her for all of her hard work.

Mr. Wu finished by announcing this quarter's Above & Beyond Award winner, Senior Staff Counsel Angel Lau. Mr. Wu remarked that Angel was nominated by a number of IBankers who noted how she immediately took on a great deal of responsibility, that she tackles assignments outside of a typical attorney's role and that she always produces top quality work.

Mr. Wu conveyed that he had thoroughly enjoyed working with Angel since her arrival. She dove right in and added tremendous value helping to guide us through our most complex and challenging programs and issues such as the VC program and the next Rebuilding Fund entity, always with a delightful attitude. IBank would not be where it is today without her. He noted she will receive a \$25 gift card and a framed certificate.

Mr. Wu concluded his report.

Chair Myers welcomed Ms. Carnevale, and congratulated Ms. Thao, and Ms. Lau and announced the conclusion of information items.

Consent Item

3. Approve minutes from the meeting held October 19, 2022

Chair Myers opened up discussion of the previous meeting's minutes. Ms. Miller moved to approve the minutes, and Mr. Steinorth seconded the motion. The Board unanimously approved the October 19, 2022 meeting Minutes.

Action Item

4. Resolution No. 22-15 approving the issuance of tax-exempt lease revenue green bonds in an amount not to exceed \$19,000,000 for the benefit of CalSTRS to finance an eligible project located in the City of West Sacramento.

John Belmont, Public Finance Specialist, introduced Resolution 22-15. He discussed the project scope and how this issuance would be used to complete the headquarters expansion. He explained the bond issuance would result in finance savings of approximately \$3.2 million when compared against financing with cash on hand.

He then introduced representatives from the CalSTRS: Julie Underwood (Chief Financial Officer), Art Martinez (Director, Financial Planning, Accounting & Reporting), Kevin Civale & Vanessa Legbandt (Bond Counsel)(Stradling), and Michael Kremer (Underwriter)(Managing Director at Montague DeRose and Associates, LLC).

Chair Myers thanked Mr. Belmont, welcomed the representatives from the CalSTRS, and asked them to comment on the project.

Ms. Underwood introduced herself and noted she had nothing more to add beyond the comprehensive Staff Report. She thanked IBank staff for their assistance with the offering and noted she would be available to answer any questions from the Board.

Chair Myers thanked Ms. Underwood for her comments and asked if the Board members had any questions on the matter.

Ms. Miller expressed her appreciation for Ms. Underwood's leadership on this issuance and noted they had previously discussed this at CalSTRS own Board meeting. Ms. Miller pointed to the savings created by the financing and looked forward to a quick sale that advanced the best interest of their members, California's teachers.

Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 22-15.

Chair Myers congratulated CalSTRS.

- 5. Resolution No. 22-16 approving the issuance of tax-exempt loan obligations, in an amount not to exceed \$5,500,000, to be sold to First Republic Bank, through a private placement and loaning the proceeds to The Presentation School to refund the Colorado Educational and Cultural Facilities Authority Adjustable Rate Demand Revenue Bonds Series 2006 originally used to finance an eligible project located in the City of Sonoma.**

John Belmont, Public Finance Specialist, also introduced Resolution 22-16. He discussed the project and explained how this private placement would be used to refund a variable rate bond originally used to construct School buildings. He explained the refinancing would result in savings due to a fixed payment structure at lower rates, while relieving the School of associated Letter of Credit risks and costs.

He then introduced representatives from the Presentation School: Matt Parker and Scott Shapiro (Presentation School), Sean Tierney (Bond Counsel)(Hawkins), Dirk A. ten Grotenhuis (Senior Managing Director, Business Banking)(First Republic Bank), Trevor Coddington (Borrower Counsel)(Reidy Law Group).

Chair Myers thanked Mr. Belmont, welcomed the representatives from the School, and asked them to comment on the project.

Mr. Shapiro responded by thanking both IBank and First Republic Bank for making this financing possible. He noted it would be transformative for the School's finances and for its mission.

Chair Myers thanked Mr. Shapiro for his comments and asked if the Board members had any questions on the matter.

Hearing none, Chair Myers then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Resolution 22-16.

- 6. Resolution No. 22-17 approving the issuance by the California Infrastructure and Economic Development Bank of fixed-rate tax-exempt Infrastructure State Revolving Fund Revenue Bonds (2022A Bonds) in a par amount not to exceed \$150,000,000**

and the use of the proceeds, together with other funds available to IBank, to (i) provide funds to reimburse or fund loans to Infrastructure State Revolving Fund Program loans, (ii) provide funds for the administration and operation of the Infrastructure State Revolving Fund Program, and (iii) pay costs of issuance.

Stefan Spich, General Counsel, introduced Resolution 22-17. He discussed the characteristics of the bonds, including the offering size, intended uses, expected interest rate, maturity and absence of credit enhancement. Mr. Spich concluded by noting the bond offering process was underway and IBank hoped to complete the offering before year's end.

Mr. Spich then introduced the IBank's ISRF 2022 Bond team: Jenna Magan & Brandon Dias (Bond Counsel)(Orrick), Kevin Civale & Vanessa Legbandt (Disclosure Counsel)(Stradling), Alex Pop-Lazic (Financial Advisor)(Lamont), Tyler Old, Will Frymann & Travis Volpe (Senior Underwriter)(JP Morgan), Greg Swartz, Tony Rapista, Halina De La Rosa & Mathilde Taborda (Co-Senior Underwriter)(Piper Sandler). Mr. Spich praised the professionalism of IBank's Bond team and informed the Board that the representatives would be available to answer any questions about the 2022 ISRF Bonds.

Chair Myers thanked Mr. Spich and also thanked IBank's Bond team for their hard work on the 2022 offering process. She noted her appreciation to them, even if the Board may not have many questions for them at this time. Ms. Miller echoed Chair Myers comments on the excellent work of the Bond team and gave specific thanks to the State Treasurer's members of the team, including Mr. Fowler.

Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Fowler seconded. The Board voted unanimously to pass Resolution 22-17.

Chair Myers congratulated IBank on the success of its ISRF Program.

7. Resolution No. 22-18 amending the Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund Program.

Ross Culverwell, Chief Credit Officer, introduced Resolution 22-18. He noted the ISRF Program was one of IBank's primary programs and had a long history of success. The program is administered as to matters such as process, financing terms and eligibility under the ISRF's Criteria Priorities and Guidelines, which were last updated in 2016. Mr. Culverwell explained that the 2016 Criteria updates were minor and captured only updated legislative language and that the last material updates to the Criteria were in 2013. The ISRF Program had kept an inventory of inquiries and suggested updates related to the Criteria. Mr. Culverwell noted that in advance of the issuance of the 2022 ISRF Bonds, IBank wanted to address these issues, as well as capture additional legislative updates, and generally improve the clarity and function of the Criteria.

Mr. Culverwell noted that the Staff Report detailed all of the proposed changes to the Criteria, but he wanted to highlight the following:

- Increase in maximum available loan size from \$25 million to \$65 million. This change was in response to market demand for larger loan sizes, as evidenced by the recent approval of a \$35 million financing for Sacramento County. IBank would also raise the minimum available loan size from \$50,000 to \$1 million, as there had been no demand at this lower end of the scale.

- Implement new borrower concentration limits to maintain portfolio balance. The new Criteria would allow up to 15% concentration by repayment source, and 20% total to one borrower. He noted the current largest concentration of ISRF was 9%.
- IBank revised and clarified borrower and project type eligibility requirements to be consistent with the language of the IBank Act. This included new Criteria reference to “public development facilities” and “economic development facilities”, and to “sponsors” and “participating parties” as those terms are defined under the IBank Act. The Criteria were also updated to reference new legislative additions to the IBank Act, including the addition of “housing related infrastructure” as an eligible project type.
- The California Lending for Energy and Environmental Needs (CLEEN) Program would be ended as a separate IBank financing program and certain of its functions would now be wrapped into ISRF. Mr. Culverwell explained that over the life of the CLEEN Program it had produced a total of 3 loans, and none since 2017. He explained ISRF applicants can now specify what State environmental goals are being advanced by the proposed project, and ISRF would determine if special CLEEN financing terms (such as an interest rate subsidy) were available.

Mr. Culverwell concluded by noting that the revised Criteria had been guided by the overall goals of improving the function and clarity of the document and being responsive to stakeholder feedback.

Chair Myers noted that was an extensive list of updates and represented significant work by the ISRF Program. She thanked Mr. Culverwell for being responsive to program needs and for the diligent work.

Mr. Fowler noted the inclusion of the term “participating party” meant that private companies were now eligible for financing under the ISRF Program. Mr. Fowler asked about the implications of this change, and whether it represented a policy change or could have a potential impact on the ISRF Bonds.

Mr. Wu responded that IBank did not see this as representing a policy change, and it was intended to update prior unclear language. That earlier language had caused internal debate as to its meaning and function, and the decision was made to realign the Criteria’s language with the definitions and construction of the IBank Act. The goals of the revision included clarity and fidelity to the IBank Act.

Mr. Wu continued that he expected no material impact to the ISRF portfolio or lending process in general. IBank would continue to carry out its mission and there was no initiative to engage in new commercial lending activity. Mr. Wu noted the IBank Act included both non-profit and for-profit entities as eligible borrowers under certain circumstances, and the ISRF Criteria had been amended in 2013 to add non-profit entities as eligible borrowers. He noted for-profit borrowers would often be of stronger credit quality than non-profits, and that the requirement for official sponsorship remained. Mr. Wu concluded that no change to the ISRF program was expected.

Mr. Fowler thanked Mr. Wu for the explanation. Mr. Wu responded that this had been a very big undertaking by the entire ISRF team, working under time pressure related to the ISRF 2022 Bond offering, and he thanked them for their teamwork.

Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Quant seconded. The Board voted unanimously to pass Resolution 22-18.

Chair Myers congratulated the ISRF team.

8. Resolution No. 22-19 approving an investment process for IBank's Expanding Venture Capital Access Fund program.

Nicola Kerslake, IBank's SSBCI Venture Capital Development Consultant, introduced Resolution 22-19. She began by noting IBank's Expanding Venture Capital Access Program would be managed according to an investment process, that was before the Board today for review and approval.

Ms. Kerslake continued that IBank developed the investment process bearing in mind the following key factors:

Investment authority would be held by the IBank Board, rather than by an external contracted entity, consistent with the program design approved by US Treasury. The investment process provides that the Board directly approves each venture fund investment, and delegates the approval of direct company co-investments to a newly formed IBank VC Investment Committee.

Ms. Kerslake explained this division by noting that direct company co-investments require swift investment decisions to execute on the best investment opportunities and to maintain IBank's reputation as a credible investment partner. For this reason, staff requests that the Board delegate investment making decisions for co-investments to a VC Investment Committee, comprised of GO-Biz and IBank staff members.

She continued that the VC Investment Committee will evaluate each co-investment based on information provided by our external consultant, Cambridge Associates, and on the following factors:

- Does the investment benefit an underserved population or community of California or advance climate equity?
- IBank will not be the lead investor directly to a company. So, is the co-investment either a co-investment or follow-on investment to a company within one of the program's existing venture capital fund investments, or does the company have a qualified fund manager that is leading the investment round?
- The committee will consider other factors deemed beneficial for the success of the program, including certain business activities and public considerations.

Ms. Kerslake explained this approach allows IBank to leverage Cambridge Associates' strong investment expertise by utilizing the consultant's investment research as a basis for investment evaluation. This investment process was developed in consultation with Cambridge Associates. Ms. Kerslake then concluded her report by noting representatives from the firm were on the call to answer questions.

Mr. Wu thanked Ms. Kerslake and noted IBank had been working hard on this venture capital program, and that this Resolution 22-19 represented both the third of the three planned approvals to bring the VC Program into effect, and the culmination of almost a full year's work. He stressed the Investment Process sought to retain the Board's ultimate authority in investment decisions while reasonably insulating the Board from investment

conflicts of interest and challenges. Mr. Wu continued that direct company investments did require rapid responses that were not easily coordinated with public open meetings, and therefore delegation of this investment authority was reasonable. Mr. Wu reminded the Board that delegated authority could always be rescinded or modified as required.

Mr. Wu explained that direct company investments would be undertaken by an internal VC Investment Committee to be composed of IBank and GO-Biz staff. The Committee would be staffed, in part, by the new VC Program staff that IBank was currently working to hire, and therefore the exact membership could not be currently provided.

Chair Myers inquired about the expected size and relevant skills of the Committee. Mr. Wu responded that the Committee would be a small team of executive level staff, likely composed of approximately 5 members. He expected it would include IBank legal, the Chief Deputy Executive Director, and the VC executives at a minimum.

Ms. Miller thanked Mr. Wu for the explanation and noted she was excited to make progress in the VC Program. She noted this was important and impactful work that would benefit the State. Mr. Steinorth echoed these comments about the impact and need for the State to expand diversity in the VC ranks, and thanked Ms. Kerslake for her work on the project.

Chair Myers asked if the Board members had any further questions or comments on this matter. Hearing none, Chair Myers then asked for any public comments. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 22-19.

Chair Myers congratulated IBank's Expanding Venture Capital Access Program.

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 2:55 p.m.