

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Wednesday, January 25, 2023, 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 IBank's Board meeting. She started by providing instructions to participants regarding process, participation, recording, and public comment. She wished everyone a happy new year and a great start to 2023.

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 2:02 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,
Juan Fernandez 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 his report by noting on this day in 1945, fluoride was first added to a city's public water system, in Grand Rapids, Michigan. Mr. Wu explained this result was the culmination of a life-long quest of Frederick McKay, a dentist. When Mr. McKay moved to Colorado Springs, CO, he was surprised to find most of the residents afflicted with mottled, brown teeth, but he was fascinated that the condition was not present in some neighboring towns. After investigating for 30 years, he discovered the cause – extremely high levels of fluoride in the city water supply which caused brown, but cavity-free teeth resistant to decay.

Mr. Wu noted that following this discovery in 1931, research began on flouridation's effect on teeth. Researchers convinced the City Commission of Grand Rapids to add fluoride to its water supply for a health study. 11 years into the 15-year trial, the results were stunning, with cavity rates declining 60%, transforming tooth decay to a preventable disease. Today, community water fluoridation has been implemented in nearly three quarters of the nation's public water supply and is estimated to cost only \$1 per person per year. Mr. Wu highlighted this as a remarkable example of public health benefits and economic returns on public infrastructure investment.

Mr. Wu continued noting on this day in 1881 Alexander Graham Bell and Thomas Edison merged their respective companies to form the Oriental Telephone Company. Two of the greatest inventors in history were both born in 1847 and were responsible for two seminal inventions involving sound – the telephone and the phonograph. Mr. Wu noted their shared background, Edison was partly deaf and Bell was a teacher to the deaf, including to Helen Keller.

Mr. Wu recounted that Bell's newly invented telephone was once considered as nothing but a toy. Ultimately, the value of Bell's telephone patents could be measured by the degree to which they were contested, with nearly 600 court challenges, including 5 that reached the Supreme Court, with Bell prevailing.

Turning closer to home, Mr. Wu noted that also on this day, in January of 1915, Mr. Bell made the first transcontinental telephone call over a 3,400 mile wire - from the AT&T head office in New York City, to Thomas Watson stationed at 333 Grant Avenue in San Francisco, directly in front of the iconic Dragon Gate entrance to San Francisco's Chinatown, our nation's first permanent ceremonial gate.

Mr. Wu explained the Dragon Gate was originally a gift from Taiwan and dedicated the year before he arrived in the United States from Taiwan. It sits just off the path of the famous Chinese New Year parade, recognized as one of the top ten parades in the world. Mr. Wu sadly noted this year's festivities will take place under a cloud of despair, in recognition of the mass shootings in Monterrey Park and Half Moon Bay.

Mr. Wu sounded a positive note as he welcomed in the Year of the Rabbit, also considered the year of hope. He noted the rabbit is a symbol of peace, and we all must hope for the end of gun violence in our communities and for peace around the world.

Mr. Wu then turned to a few information items.

The first related to a transaction with Hat Creek Bioenergy, LLC.

Mr. Wu explained that since 2019 IBank has collaborated with CalFIRE, wherein IBank acts as loan servicer on CalFIRE's behalf for forest biomass power plant financings for loans between CalFIRE and the owner/operator. He clarified that IBank is only providing loan servicing and support for the financings, and none of IBank's funds are at risk.

Mr. Wu then provided the financing history of the collaboration's available funding of \$3M. The first loan, for \$1.2M, was for the North Fork Bioenergy project in 2019 and has since been paid off. A second loan was to Blue Mountain Electric Company, LLC for \$1.4M in 2020 and IBank is currently attempting to arrange a permanent financing package that will be used to repay the loan.

Mr. Wu noted Hat Creek is the third such project. The Borrower is wholly owned by Peter Paul, an individual with a track record of promoting renewable energy development. Hat Creek will construct a 3MW plant in Burney, CA which will be powered by 28,000 bone Dry Tons of woody biomass per year harvested from the surrounding region. The 12-year \$1.6M loan will cover the PG&E interconnection fee and certain equipment.

Mr. Wu clarified that the project budget of approximately \$26M will also be funded by a \$9M loan from River City Bank, a \$4.6M EPIC grant from the CEC, a small U.S. Forest Service grant, and a \$10M equity contribution from Mr. Paul. It will generate revenue via a 20-year PPA with PG&E.

Mr. Wu proudly noted Hat Creek will represent one of the first bioenergy facilities developed under the state's policy regime addressing the threat of catastrophic wildfire utilizing the BioMAT program. The facility will demonstrate the feasibility of turning high-hazard forest biomass into clean electricity, help rationalize the supply chain for biomass feedstock, promote economic development in disadvantaged rural communities, and introduce beneficial market forces that may multiply over time and lessen the pressure on public budgets to support wildfire threat reduction. Mr. Wu noted that Hat Creek estimates 60 construction jobs and 16 permanent jobs to result from the project.

Mr. Wu declared these impacts strongly support CalFIRE's goals, and demonstrate IBank's partnership with CalFIRE is well served by the execution of this financing, expected to close within the next few weeks.

Mr. Wu then addressed proposed State budget reductions affecting IBank. He explained the Governor's cuts in the proposed FY2023-24 budget on January 10th cited increased economic risk creating downward pressure on state revenues creating an estimated budget deficit of \$22.5B. Consequently, IBank's budget is proposed to be reduced as follows:

Climate Catalyst Fund:

Mr. Wu noted the following proposed cuts in the Catalyst program:

- All \$25M for the newly instituted climate smart agriculture initiative
- \$25M of \$250M for clean energy transmission line projects
- \$41M of \$47M for forest resilience projects in an initiative launched last year funding projects similar to Hat Creek

Mr. Wu explained these funds were incorporated into the Administration's proposed trigger reductions and could be restored next January if state revenues turn out to be sufficient.

Mr. Wu then noted the impact to other IBank programs:

- The Budget reduces \$50M provided to the Small Business Finance Center for underserved small businesses, which was intended to fund the next iteration of the California Rebuilding Fund or another financing program to help the smallest of the small businesses. Mr. Wu explained IBank would continue discussions regarding the proposed third Rebuilding Fund entity and consider alternative ways to participate.
- Related to the collaboration with CPUC on a broadband financing program, the Budget maintains the same level of funding, but it proposes to defer \$175M from 2022-23 and \$400M from 2023-24 to future years. He noted this delayed funding should not negatively impact the program.

Mr. Wu concluded his report.

Chair Myers thanked Mr. Wu for highlighting the value of public investment in public health infrastructure and concurred in wishing peace to those impacted by the recent shootings in Monterey Park and Half Moon Bay. She then announced the conclusion of information items.

Consent Item

3. Approve minutes from the meeting held December 21, 2022

Chair Myers opened up discussion of the previous meeting's minutes. Mr. Steinorth moved to approve the minutes, and Ms. Miller seconded the motion. The Board unanimously approved the December 21, 2022 meeting Minutes.

Action Item

- 4. Resolution No. 23-01 approving the issuance of tax-exempt obligations, in an amount not to exceed \$16,650,000, to be sold to Wells Fargo Bank, National Association, through a private placement and loaning the proceeds to Options for Learning to finance an eligible project located in the City of West Covina.**

Dalibor Zivkovic, Bond Finance Analyst, introduced Resolution 23-01. He first discussed the project noting the funds would be used to acquire a 3 story office building for use as an administrative HQ. Mr. Zivkovic noted this would allow Options for Learning to consolidate and expand their administrative services, while creating 30 temporary jobs, and preserving 602 current jobs. The tax-exempt financing would allow for a lower interest rate resulting in over \$100,000 of annual NPV savings.

Mr. Zivkovic then introduced representatives from Options for Learnings: Paul Pulver (Chief Executive Officer), Dominic Alpuche (Chief Financial and Administrative Officer), Sam Balisy (Bond Counsel at Kutak Rock), and John Wooten (Head of Municipal Placements, Public Finance at Wells Fargo Bank).

Chair Myers thanked Mr. Zivkovic, welcomed the representatives from Options for Learning, and asked them to comment on the project.

Mr. Pulver noted he had nothing prepared but that he was grateful to be here and was ready to answer any Board questions.

Chair Myers thanked Mr. Pulver and asked if the Board members had any questions on the matter. They did not.

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 23-01.

Chair Myers congratulated Options for Learning on the approval.

- 5. Resolution No. 23-02 approving lending Infrastructure State Revolving Fund Program funds to the City of Pacifica in an amount not to exceed \$21,000,000 to finance an eligible project known as the Lower Linda Mar Rehab and Replacement and UV Disinfection System Replacement Project located in the City of Pacifica.**

Lina Moeller, Loan Origination Manager, then introduced Resolution 23-02. She discussed the City's wastewater project and its component parts. She noted this would be financing for 100% of the project and was expected to result in approximately 212,000 gallons of water saved annually, 690,000 kilowatt-hours of energy savings, and operating cost savings of \$106,000 associated with reduced system maintenance obligations.

She then introduced representatives from the City of Pacifica. Nelson Schlater (Engineering Manager), Chick Adams (City Attorney at Jones Hall), and two of the City's consultants: Jacques DeBra (Engineering Consultant and Supervising Water Resource Manager at Luhdorff & Scalmanini), and Matt Pressey (Financial Consultant at Regional Government Services).

Chair Myers thanked Ms. Moeller, welcomed the representatives from the City, and asked them to comment on the project.

Mr. Schlater thanked the Board and noted he was excited to advance this project. He noted these were necessary improvements and would work to address the inflow problems that had plagued the City due to the recent heavy storms and rainfall.

Chair Myers thanked Mr. Schlater and wished the City a speedy recovery from all the storm damage. She then asked if the Board members had any questions on the matter.

Mr. Fernandez inquired into the City's possible subsequent WIFIA loan and how it would be treated relative to this IBank financing. Ms. Moeller confirmed that the WIFIA loan was still in the approval process, and that if undertaken, it would be subordinate to the ISRF loan. Mr. Fernandez noted that the Staff Report's coverage table analysis should reflect this subordinate position. Ms. Moeller responded that ISRF underwriting reflected subordinate and parity debt on the same basis for coverage calculation purposes. Mr. Fernandez thanked Ms. Moeller for the explanation.

Chair Myers then asked for any public comment. Hearing none, Ms. Miller moved for approval of the resolution and Mr. Fernandez seconded. The Board voted unanimously to pass Resolution 23-02.

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 2:23 p.m.