

# MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on  
Wednesday, June 28, 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.

Acting Chair Chris Dombrowski, delegate of the Director of the Governor's Office of Business and Economic Development, welcomed everyone to IBank's Board meeting. He started by providing instructions to participants regarding process, participation, recording, and public comment.

Acting Chair Dombrowski clarified that starting with the July meeting IBank expected to return to in-person meetings for Board members, but that project representatives could continue to appear remotely.

## 1. Call to Order and Roll Call

Acting Chair Dombrowski then called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:00 p.m.

The following Board members attended via teleconference:

Acting Chair Chris Dombrowski, as delegate of the 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 by noting that on this day in 1914, Archduke Ferdinand, the heir to the Austro-Hungarian Empire, was assassinated, precipitating the Great War. World War I's battles would last only four years but would result in over 16 million deaths and reshape the world order, leading to the demise of several longstanding dynasties. He further noted that the Treaty of Versailles, formalizing the end of the war, was signed in 1919 also on this day.

Mr. Wu lamented that despite the death and destruction, global powers did not learn their lessons and were back at it again a few decades later. As the saying goes, those that fail to learn from history are doomed to repeat it. Noting the suffering and destruction caused by the senseless wars currently ongoing across the planet, Mr. Wu observed our era demonstrates little success in absorbing history's lessons.

Mr. Wu then discussed the pending Supreme Court decision on the legality of affirmative action and provided historical context. He noted that on this day in 1978, a prior Supreme Court decided *The Regents of the University of California v. Bakke* by upholding affirmative action in college admissions, banning racial quotas but allowing race to be considered as one of several factors. The highly contested case set a record at the time with 58 filed Amicus briefs and concluded with six separate judicial opinions. This core result was later reaffirmed in multiple decisions in the ensuing decades.

He stated the anticipated outcome this time was likely to reverse this precedent and remove an effective tool to combat systemic inequalities. He noted that in 1996 California had adopted Prop 209 which prohibited the state from granting preferential treatment based on race, sex, color, ethnicity, or national origin. Mr. Wu concluded that although the methods may change, the public interest in addressing inequalities will remain.

Mr. Wu then wished a happy birthday to two notable economists:

- Laura Tyson, who once Chaired President Clinton's and currently co-Chairs Governor Newsom's Council of Economic Advisers, and
- Mohammed Yunus, the Nobel laureate, and father of microfinance. Mr. Yunus recognized that banks would not make small loans at reasonable rates to the poor. Mr. Wu noted even the smallest of loans could make an enormous difference especially to village women and their families in addressing poverty. Mr. Yunus experimented with empowering the poor by investing in their entrepreneurship using his own money, and later launched Grameen Bank, which would go on to successfully make billions of such loans, spearheading an entire global industry that transformed lives, families, and communities. The power of affordable finance became evident, as did the plight of those locked out of such access.

Mr. Wu rounded out his report by reflecting on the seminal event that birthed Pride Month and marked the beginning of the LGBTQ liberation movement. On this day in 1969, the Stonewall riots took place in a mafia owned underground bar in New York's Greenwich Village. Mr. Wu explained that persecution by police and society of marginalized individuals based on sexual orientation had reached a boiling point. He reflected that human dignity can never be perpetually contained without bursting for air, and from that point forward, the fight for recognition and basic rights would reach an inflection point and make slow but unmistakable progress in the decades to come.

Mr. Wu then turned to a few Information Items:

#### Venture Capital

Mr. Wu reported that on May 23rd, five months after the launch, IBank closed its first investment for the Expanding Venture Capital Access program. Unshackled Ventures is a seed stage investment firm that was founded by immigrants, invests in immigrants, and provides a range of immigration support, including sponsoring visas. Mr. Wu noted the firm was founded in 2014 and has invested in 80 companies, which have raised over \$700 million in follow-on funding and created over 1,100 jobs to date. IBank had committed \$4.1 million to Unshackled's third fund of \$35 million. Mr. Wu shared that his own background was as an immigrant entrepreneur and noted his great appreciation for the services and support offered by Unshackled.

#### Staff Updates

Mr. Wu announced the hiring of our newest team member as Venture Specialist in the VC Program:

- **Shrina Kurani.** Before joining IBank, Shrina helped build multiple mission-driven companies. She founded SNØCAP-a climate venture fund and leads Grid110-a nonprofit serving underrepresented entrepreneurs. She was on the executive team at Republic, democratizing access to capital through new regulation and technology. She also worked at Better Ventures and launched the Cities program to serve founders in underinvested regions. Mr. Wu noted that Shrina had earned her B.S. in mechanical engineering from her hometown's UC Riverside and her M.S. in Sustainability at Lund University in Sweden. Mr. Wu noted that other highlights included running an underground hip-hop club in Sweden, building a snow cave and a quinzhee, and at one time holding the Guinness World Record for most sandwiches made!

Mr. Wu welcomed Ms. Kurani to IBank, and she thanked him. She noted she was appearing from Riverside where she had previously run for Congress. She was excited to join IBank and work on IBank's mission to finance infrastructure, advance California's climate policies, and improve access to Venture Capital. She concluded by offering her quinzhee building advice to anyone who was interested.

Mr. Steinorth noted to Ms. Kurani that he was an old colleague of her father's and asked her to pass along his regards. Ms. Kurani replied it was a small world and that she would.

IBank Above and Beyond award

Mr. Wu concluded staff announcements by noting IBank's "Above and Beyond" Award was presented to Lydia Workman, IBank's Loan Officer in the Loan Origination Unit for the past quarter. Mr. Wu noted Ms. Workman had earned a promotion after her first year on the job and has become IBank's point person on our Salesforce implementation. He noted her help in training new team members and shared that her team members are grateful for her rapport and mentorship, note how she often thinks outside the box, and are impressed with her independent initiative.

Mr. Wu congratulated Ms. Workman.

Acting Chair Dombrowski welcomed Ms. Kurani, and congratulated Ms. Workman on her award. He also noted the exciting news from the VC Program and thanked them for their work.

### **Consent Item**

#### **3. Approve minutes from the meeting held April 19, 2023**

Acting Chair Dombrowski opened the discussion of the previous meeting's minutes. Mr. Steinorth moved to approve the minutes, and Mr. Fernandez seconded the motion. The Board unanimously approved the April 19, 2023, meeting Minutes.

### **Action Item**

#### **4. Resolution No. 23-06 approving the issuance of tax-exempt obligations, in an amount not to exceed \$25,000,000, to be sold to First Republic Bank through a private placement and loaning the proceeds to Windward School to finance an eligible project located in the City of Los Angeles.**

Dalibor Zivkovic, Public Finance Analyst, introduced Resolution 23-06. Mr. Zivkovic started by introducing representatives from the Windward School: Dawn Barrett (COO), Ayn Faubert (Director of Finance), Sean Tierney (Bond Counsel, Hawkins), and Frederick

Kuhlman (Bond Counsel, Hawkins). He then discussed the financing, noting the project would create new educational facilities in Los Angeles, including an arts studio, robotics lab, and outdoor gathering patio. He noted the project would result in 2 new permanent jobs and 150 construction jobs. Mr. Zivkovic concluded that the project elements would be Gold Level LEED Certified, consistent with the rest of the school.

Acting Chair Dombrowski thanked Mr. Zivkovic, welcomed the representatives from Windward School, and asked them to comment on the project.

Ms. Barrett responded she had no prepared comments but was available to answer any questions from the Board.

Acting Chair Dombrowski thanked Ms. Barrett and asked if the Board members had any questions on the matter. They did not.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Quant moved for approval of the resolution and Ms. Miller seconded. The Board voted unanimously to pass Resolution 23-06.

Acting Chair Dombrowski congratulated Windward School on the approval.

**5. Resolution No. 23-07 approving the issuance of tax-exempt obligations, in an amount not to exceed \$27,500,000, to be sold to Umpqua Bank through a private placement and loaning the proceeds to Children’s Day School to finance an eligible project located in the City and County of San Francisco.**

John Belmont, Public Finance Specialist, introduced Resolution 23-07. Mr. Belmont started by introducing representatives from the Children’s Day School: Shelly Luke Wille (Head of School), Jeanne Jacobs-Gaffney (Director of Finance and Operations), Chad Christoff (Municipal Advisor, Stifel Public Finance), Sam S. Balisy (Bond Counsel, Kutak), and Thomas P. Bruder (Bond Counsel, Kutak).

Mr. Belmont then discussed the financing, noting the project would finance and refinance the costs of acquiring, constructing and equipping borrower’s campus in San Francisco. He also noted the financing would result in beneficial termination of the school’s swap positions, adjust covenants for greater flexibility, and consolidate debt at fixed rates. Mr. Belmont concluded by noting the project would create 50 construction jobs.

Acting Chair Dombrowski thanked Mr. Belmont, welcomed the representatives from Children’s Day School, and asked them to comment on the project.

Ms. Luke Wille thanked the Board and noted she had no comments but was happy to answer any questions.

Acting Chair Dombrowski thanked Ms. Luke Wille and asked if the Board members had any questions on the matter. They did not.

Acting Chair Dombrowski 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 23-07.

Acting Chair Dombrowski congratulated Children’s Day School on the approval.

**6. Resolution No. 23-08 amending the Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund**

## **Program and adopting revised interest rate setting methodology for loans made under the ISRF Program.**

Ross Culverwell, IBank's Chief Credit Officer, introduced Resolution 23-08 and discussed its impacts on the ISRF Program.

He first noted this would update IBank's interest rate setting methodology, which was originally approved by the Board in 2013. The earlier model was based on the MMD index but was not useful to the ISRF Program as it was overly complex, difficult to use and update, and hard to explain to borrowers. He explained that IBank had worked with its Financial Advisor to update this 2013 model, but that IBank management had decided a more streamlined approach was needed. The revised interest rate methodology would be based on the following principles of:

- Clear risk assessment.
- Maintaining IBank's strong credit rating.
- Providing subsidies to disadvantaged communities and to projects that advance CA's climate goals.
- Keeping financings consistent with IBank's own cost of funds.
- Use of public market financial information to inform pricing decisions.

He noted the second update would reduce IBank's servicing fee from 30 to 15 basis points, to allow for more flexibility with ISRF's subsidies policy.

Mr. Culverwell concluded that the third major revision would be to change ISRF's subsidy policies to consider Cal Enviro Screen data and other similar impact measurement tools, in place of earlier use of household median income and unemployment rates. He noted this change would allow for better tailoring of finance packages and would be more flexible to use.

Mr. Culverwell noted that the interest rate methodology was intended to be an internal document, but that each ISRF Staff Report would explain the rationale behind the suggested interest rate. He clarified that the Board would still retain authority to set or amend the interest rate. Taken all together, he stated he thought these changes would lead to a more transparent and comprehensible process for setting ISRF interest rates.

Mr. Fernandez asked if the servicing fee adjustment would apply just to new loans or whether it would apply to existing loans, requiring an adjustment. He also asked whether the 15-basis points fee was based on ISRF's actual costs. Mr. Culverwell explained that it would only apply to new loans and that the intent of the adjustment was to keep the fee consistent with cost and clarify its accounting treatment.

Mr. Fernandez further inquired how these changes would continue to manage the risk of providing financing to lower credit borrowers. Mr. Culverwell replied that this was not a change in ISRF's strategy but was rather an update to use better data points to make credit decisions. He noted that ISRF's portfolio would remain a diverse mix of high rated, low rated, and unrated credits that would result in a strong credit rating. Mr. Wu confirmed this was not a change in credit strategy, and no change in credit quality was expected.

Mr. Fernandez had a final question on IBank's subsidy policy and wanted to confirm that these would not reduce the rate of ISRF financings below IBank's own cost of capital. Mr. Culverwell confirmed it would not, and these changes were about clarifying IBank's internal process but was not a material shift in strategy. He concluded by noting that ISRF would inform the Board of any future changes to the subsidy policy and that each use of subsidy would be explained in the related Staff Report and presented to the Board for approval.

Mr. Fernandez thanked Mr. Culverwell and Mr. Wu for their responses.

Acting Chair Dombrowski asked Mr. Culverwell about the policy goals for simplifying these ISRF processes. Mr. Culverwell responded that the overall goal was to increase clarity of process for the benefit of staff, borrowers, and the Board. He noted that by focusing on the above financial principles first, IBank decisions would be grounded in a more accessible framework here, as opposed to just being based on a spreadsheet formula. He explained that IBank staff would be trained in the use of this new approach and that he expected better outcomes. Mr. Wu agreed that IBank had found the old ISRF interest rate process difficult to explain to borrowers and that by focusing on principles the entire process would be more transparent.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Fernandez moved for approval of the resolution and Mr. Quant seconded. The Board voted unanimously to pass Resolution 23-08.

Acting Chair Dombrowski congratulated the ISRF Program.

### **Reporting/Non-Action Business**

### **Public Comment and Adjournment**

Acting Chair Dombrowski asked for a final public comment.

Acting Chair Dombrowski declared the meeting adjourned at approximately 2:30 p.m.