

MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on
Wednesday, August 23, 2023, at 2:00 p.m.

IBank's meeting had Board members attending in person with meetings accessible and open to the public and with virtual participation via teleconference for borrowers and general public.

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.

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 in person:

Acting Chair Chris Dombrowski, as delegate of the Director of the Governor's Office of Business and Economic Development,
Carlos Quant for the Secretary of the State Transportation Agency,
Fiona Ma, the State Treasurer, and
Marc Steinorth as Governor's Appointee.

Secretary's Note: The delegate for the Department of Finance, Gayle Miller, appeared virtually from her office where she was able to hear and be heard by the Board and the public, enabling full participation. However, due to a communication error by IBank, IBank did not notice Ms. Miller's location on the August agenda. As a result, the Board determined that Ms. Miller would participate in the meeting but that her vote would not be recorded. On this basis the meeting proceeded.

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 presenting a dramatic scene that occurred on this day, August 23rd: China moves to take control of Taiwan. Its army begins an intense artillery bombardment of several islands in the Taiwan Strait to probe the American defense of Taiwan, while Taiwanese troops dig in and return fire. The next day, Chinese forces attempt an amphibious landing on a Taiwanese island and are repelled by Taiwan's Navy. Naval battles ensue as the Chinese attempt to land on other islands and several ships are sunk. The U.S. Secretary of State refers to the situation as a serious nuclear crisis and the Joint Chiefs of Staff determine to defend the islands even if it triggers a nuclear response. Soon, the U.S. Navy is providing naval escorts for Taiwanese convoys to maintain supply channels, including of advanced weapons.

Mr. Wu continued by describing the increasing tensions of the showdown: Moscow issues a letter warning that American actions threaten world war and that they will intervene to protect the territorial integrity of Communist China. The President responds by reinforcing the Navy's Seventh Fleet, deploying howitzers and Nike missile battalions and by sending Air Force fighters to Taiwan to demonstrate support. Artillery shelling continues for several months but China elects not to attack U.S. Navy ships. However, air battles take place between U.S. fighters operated by Taiwan and MiGs flown by China, 31 of which are shot down. The crisis ends in a tenuous stalemate by December, with nearly 3,000 dead and regularly scheduled but contained shelling that continues on for several decades.

Mr. Wu explained that this description was not a play-by-play prognosis for a potential future conflict, nor was it Mr. Wu's script for a movie he hoped to advance during the Hollywood writer's strike. He clarified that these were the real-life events that unfolded beginning August 23rd, 1958, known as the Second Taiwan Strait Crisis. He noted it was in this environment, about a decade later, shortly after the end of the vestiges of the Chinese Exclusion Act that his family fled the crisis in Taiwan to the security and opportunity of America. Mr. Wu hoped, more than half a century later, as the world observes and is threatened by the escalation of this unresolved stalemate, that reason will prevail.

Mr. Wu then addressed the tragedies caused by the massive wildfires in Maui, Washington and Greece. As those affected communities continue to search for the missing and deceased, Mr. Wu noted that Californians have a special understanding of the loss and suffering resulting from climate change induced disasters. He observed the irony that yesterday, as the U.S. Drought Monitor declared California free of its long drought, many in Southern California were recovering and cleaning up from the record rain and floods brought by the first tropical storm to hit the state since 1939. Mr. Wu suggested we should expect continued volatility as the planet warms, similar to this year's atmospheric rivers, storms and floods that followed on the heels of the three driest years in California's recorded history.

Mr. Wu then presented historical perspective on the difficulty of forming political and popular consensus regarding climate change, despite the science being long settled. He noted that on this day, August 23rd, a scientific paper drafted by Eunice Newton Foote, was presented in New York to the American Association for the Advancement of Science. Mr. Wu noted she was a distant relative of Sir Isaac Newton, who argued and demonstrated that CO₂ and water vapor absorbed and held heat from the sun more readily than other gases, and concluded that "an atmosphere of that gas would give our earth a high temperature" – the first research ever to link increased CO₂ to global warming. Mr. Wu highlighted two important facts about this publication; the year was 1856 and her paper was considered the first known publication in a scientific journal of physics by a woman.

Mr. Wu lamented that this important moment was generally lost to history and Ms. Foote's discovery would go entirely forgotten until a few years ago. The scientific community had long given the credit for establishing evidence of the greenhouse effect to John Tyndall, whose paper was published three years later. Mr. Wu wondered if this oversight was perhaps because Mr. Tyndall's paper was written by a well-known male scientist from a prestigious institution rather than by an activist for women's rights. Mr. Wu concluded that either way, 167 years later, it is bewildering that we find our advanced society ignoring reason and still deeply divided despite overwhelming evidence and increasing tragedies.

Mr. Wu reflected that a crisis of this magnitude can only be addressed with the full effort and resources of the global community, which is not possible without widespread consensus of the people. As with prospects of nuclear war among global powers, global warming leaves no room for uncertainty, confusion or inaction to preserve our common interests in survival.

Mr. Wu concluded his report by noting he had no information items today, and so yielded back to the Chair.

Acting Chair Dombrowski thanked Mr. Wu.

Consent Item

3. Approve minutes from the meeting held July 26, 2023

Acting Chair Dombrowski opened the discussion of the previous meeting's minutes. Ms. Ma moved to approve the minutes, and Mr. Quant seconded the motion. The Board unanimously approved the July 26, 2023, meeting Minutes.

Action Item

4. Resolution No. 23-10 approving entry into one or more Loan Agreements and other documents for the issuance of tax exempt and/or taxable obligations to be sold to Morgan Stanley through a limited offering or private placement in an amount not to exceed \$2,000,000,000 to (i) refund the outstanding Issuer's Revenue Bonds (Brightline West Passenger Rail Project), Series 2020A, initially issued for the benefit of DesertXpress Enterprises, LLC (Borrower) used to finance an eligible project located in the Counties of San Bernardino, and (ii) to provide the Borrower additional funds to finance another eligible portion of the project located in the County of San Bernardino.

John Belmont, Public Finance Specialist, introduced Resolution 23-10. Mr. Belmont started by introducing representatives for the transaction.

For the Borrower: Sarah Watterson (President – Brightline), Mike Reininger (CEO - Brightline Holdings), Jake Felman (VP Business Strategy and Development), Husein Cumber (Chief Strategy Officer, FECl), Ben Porritt (SVP Corporate Affairs), Irene Skarlatos (Director Public Affairs), and Alexandra Levin (SVP Capital Formation and Investor Relations)

For the Underwriter, Morgan Stanley: John Sheldon (Managing Director), Zach Solomon, JW Howard (Executive Directors), James Reid (Associate), and Natalia Rodriguez (Analyst).

For Bond Counsel, Orrick: John Y. Wang (Partner), and Jesse Albani (Associate)

Mr. Belmont then discussed the financing, noting the obligations would be sold via a limited offering or private placement at fixed or flexible rates and would be designated as "green bonds". He noted the proceeds would be used to finance and refinance the Borrower's project costs, including costs related to stations, rail lines, electrical systems, rolling stock, and equipment for the high-speed rail line. As part of these costs the IBank's Series 2020A bonds would also be refunded. Proceeds would also fund certain reserves, accrued interest, and pay costs of issuance.

Mr. Belmont then discussed the economic impact of the project, noting that this project was projected to create approximately 31,000 construction jobs, and 510 full-time jobs. The project is expected to have a cumulative economic impact of \$7.5 billion, resulting in approximately \$750 million of tax revenue, over the first ten years of the project. Mr. Belmont concluded by noting that IBank had received substantial positive public comment

both in oral comments and written letters of support during the project's TEFRA process. Mr. Belmont noted these comments would be included in the project record.

Acting Chair Dombrowski thanked Mr. Belmont, welcomed the representatives from Brightline, and asked them to comment on the project.

Ms. Watterson started by thanking the Board and by thanking the supporters of the project for their supportive public comment. She then provided background on the company, noting Brightline was developing the first passenger rail lines in America in more than a century. She noted that Brightline had already developed a Florida inter-city line of 255 miles between Miami and Orlando. She explained the company's strategic focus on city pairs that were too close to fly but too far to drive. Ms. Watterson continued to explain that the California project would be true high-speed rail for its 218 mile corridor, which would reach speeds of 186 miles per hour thereby reducing the travel time by half. She stressed that the project was green, would use renewable energy, and would improve travel safety. Fewer cars mean less CO₂, less traffic, and fewer accidents.

Discussing project details, Ms. Watterson noted that Brightline had met the various milestones it had set related to permits, land acquisition, environmental, and construction contracts. She explained that Brightline had reached labor project agreements with both the newly formed high-speed rail workers union, as well as the traditional building trade councils. She reported that this meant the project would soon be shovel-ready, and would be built with American materials and workers, and operated and maintained by American labor.

Ms. Watterson then described the financing details for the project, noting that Brightline had already incurred \$600 million in project costs, 70% of which they had paid for out of equity contributions. She discussed the various grants and incentives that had been provided by both State and local governments in Nevada and California. She noted that the federal 2021 Infrastructure and Jobs Act had included approximately \$3.2 billion in grant funding for the project, with the remainder being funded by a combination of bonds, bank debt, and equity. The project had already received approximately \$1 billion in federal tax-exempt allocation from the Department of Transportation, and was expecting an additional \$1.5 billion that was already in process.

Acting Chair Dombrowski thanked Ms. Watterson and asked if the Board members had any questions on the matter.

Ms. Ma began by noting that she was happy to see this project moving forward, and glad that it had overcome challenges related to COVID. She noted she had ridden Brightline's Florida system and that it was great to ride rail of that quality in America. She asked Brightline to confirm that the project's tax-exempt allocation did not count against California's allocation subject to the CDLAC process. Ms. Watterson confirmed there was no impact to the State allocation.

Ms. Miller discussed the prior IBank financings with Brightline and noted some of the challenges they had faced. She asked Brightline about their partnership with California's High-Speed Rail Authority (CA HSR Authority), noting her desire that they continue to collaborate to build out a true state-wide high-speed rail system. She also asked Brightline about how they addressed market concerns, shared by the Department of Finance, that had caused challenges to the original issuance of the Series 2020 Bonds.

Ms. Watterson responded that they were working closely with the CA HSR Authority on technical and operational levels. This included regular meetings, sharing of design elements with the goal of a unified HSR system, and coordination of best practices. She

then addressed the market concerns, and started by reminding the Board of the tough conditions they faced in October 2020, including COVID restrictions and a pending presidential election. She highlighted that investor concern related to the project's station locations had been largely resolved by the decision to terminus the line in Rancho Cucamonga. This location would allow the system to better connect with the LA Metro transportation system. Ms. Watterson noted Brightline further had all necessary permits in hand, both state and federal, which was not the case in 2020. Ms. Miller thanked Ms. Watterson for her answers.

Mr. Quant then disclosed to the Board that he had asked questions of Brightline prior to the meeting and his discussion with them had resolved his questions. He had no further questions for Brightline.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Ma seconded. The Board voted unanimously (except Ms. Miller, as noted above) to pass Resolution 23-10.

Acting Chair Dombrowski congratulated Brightline on the approval.

- 5. Resolution No. 23-11 approving the issuance of tax-exempt obligations, in an amount not to exceed \$10,000,000, to be sold to CN Financing, Inc. through a private placement and loaning the proceeds to Planned Parenthood Pasadena and San Gabriel Valley, Inc. to finance an eligible project located in the City of Pasadena.**

Dalibor Zivkovic, Public Finance Analyst, introduced Resolution 23-11. Mr. Zivkovic started by introducing representatives from Planned Parenthood: Grace Lin (COO and Interim CFO), Suzanne Greenberg (Consultant), and Sam Balisy and Thomas Bruder (Bond Counsel, Kutak). He then discussed the financing, noting the obligations would be sold to CN Financing in a private placement. The proceeds would be used to acquire and improve a new headquarters including new health and laboratory facilities. This combined space would allow for additional space for the borrower's health and educational work on a consolidated footprint. The project is expected to create 12 full-time jobs, and approximately 35 construction jobs.

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

Ms. Lin thanked the Board for their consideration. She noted her organization was excited to consolidate their operations, moving from three buildings into a single new headquarters (HQ). In addition to operational efficiencies and related savings, this new HQ was closer to public transportation options which would benefit their clients with greater accessibility.

Acting Chair Dombrowski asked the Board for comment. Hearing none, he then asked for any public comment. Hearing none, Ms. Ma moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously (except Ms. Miller, as noted above) to pass Resolution 23-11.

Acting Chair Dombrowski congratulated Planned Parenthood on the approval.

- 6. Resolution No. 23-12 approving lending Infrastructure State Revolving Fund Program funds to the City of San Diego in an amount not to exceed \$40,000,000 to finance an eligible project known as the Organics Processing Facility Project located in the City of San Diego.**

Steven Wright, Staff Loan Officer, introduced Resolution 23-12. Mr. Wright started by introducing representatives from the City of San Diego: Jyothi Pantulu (Assistant Director of Finance), Krista Davidson (Financing Coordinator), Matthew Cleary (Assistant Director), and Samuel Alatorre (Program Manager). Mr. Wright discussed the project noting the increased organics processing capacity created by the project and how it would help the City comply with the requirements of SB 1383. He noted the project would create approximately 150 construction jobs and 40 full-time jobs. Mr. Wright then discussed the project's environmental benefits in less pollutants, reduced landfill impacts, and the fact that the facility is being built upon a closed landfill and so was a good example of repurposing otherwise idle space.

Acting Chair Dombrowski thanked Mr. Wright, welcomed the representatives from the City of San Diego, and asked them to comment on the project.

Mr. Cleary responded that he was pleased to be working with IBank. He stated that working with IBank staff had been a good experience and specifically thanked Steven and Lina for their efforts. He noted this project would bring new organics processing capacity to the City all while helping fight climate change and providing jobs at the same time.

Acting Chair Dombrowski asked the Board for comment. Hearing none, he then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Ms. Ma seconded. The Board voted unanimously (except Ms. Miller, as noted above) to pass Resolution 23-12.

Acting Chair Dombrowski congratulated the City of San Diego on the approval.

Reporting/Non-Action Business

- 7. IBank Quarterly Investment Report for Quarter 4 of FY 2022-23.**
- 8. Small Business Finance Center Quarterly Investment Report for Quarter 4 of FY 2022-23.**

Public Comment and Adjournment

Acting Chair Dombrowski asked for a final public comment and heard none.

Acting Chair Dombrowski declared the meeting adjourned at approximately 2:32 p.m.