

# MINUTES OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

For the meeting held on  
Wednesday, October 11, 2023, at 2:00 p.m.

IBank's meeting was held remotely and was accessible and open to the public and with virtual participation via teleconference for board members, staff, 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:

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,  
Richard Gillihan, for the Department of Finance,  
Juan Fernandez, for the State Treasurer, and  
Marc Steinorth as Governor's Appointee.

IBank staff members in attendance:

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 last week was the 99th birthday of the nation's oldest living President, Jimmy Carter. He further noted that October marks the 8th month since Mr. Carter elected to forgo any further medical treatment and to enter hospice care. Mr. Wu then recounted a litany of serious ailments Mr. Carter had survived in recent years including near terminal skin, liver and brain cancer. Mr. Carter will spend his final days in the same home since 1961, where he plans to be buried, together with his 96-year-old wife of 77 years, Rosalynn, a lifelong advocate for mental health who now battles dementia.

Mr. Wu then reflected on Mr. Carter's legacy, noting his remarkable life and equally groundbreaking final days can teach us many lessons. To start, Mr. Wu hoped many will now regard the decision for hospice care and any associated stigma in a whole new light. Accepting that President Carter won't make any list of best American Presidents, Mr. Wu mused to the degree to which the President was the victim of circumstances during a volatile period of economic and global strife. He then highlighted some of Mr. Carter's achievements that may be overlooked and underappreciated: deregulating industries such as energy, communications, finance, airlines and even beer, the Camp David Accords advancing peace in the Middle East, the SALT II Treaty for nuclear disarmament, the

Panama Canal Treaty, US-China relations, advancing education and environmental protection by establishing the Departments of Education and Energy, and his foresight confronting climate change while installing solar panels on the White House.

Setting aside presidential achievements, Mr. Wu focused on Jimmy Carter, the man, noting that while he governed as a progressive, his personal profile and life would constitute the epitome of conservative values. He was born in a small town in the deep south, a peanut farmer as well as a small business owner who saved the family business, a nuclear submarine commander and graduate of the US Naval Academy where he played football, and a life-long deacon of his church and Sunday school teacher.

Mr. Wu continued expounding on Mr. Carter's contributions to the world: as a leading champion for human rights, winner of the Nobel Peace Prize and a charter member of the Elders, builder of Habitat for Humanity homes for the poor, eradicator of the horrific Guinea worm, trusted election observer and conflict mediator in many of the world's most intractable disputes, and winner of three Grammy's. Mr. Wu noted Mr. Carter lived under the public eye his entire life without a whiff of significant personal scandal or controversy. Hollywood couldn't manufacture a more all-American bio.

Mr. Wu reflected that while he may rarely be celebrated for his time as President, Mr. Carter achieved the pinnacle of the list for the finest man to ever occupy the oval office and he looked forward to honoring his 100th birthday.

Mr. Wu then turned to several information items:

Federal Greenhouse Gas Reduction Fund (GGRF):

Mr. Wu noted that in July, he informed the Board regarding \$27 billion of federal funds appropriated in the Inflation Reduction Act that would be disbursed through three separate competitions administered by the EPA. IBank is serving in the lead applicant role for the state coalition of climate and energy agencies, which has been a significant organizational lift for several months.

He noted that all three applications are due tomorrow and provided a quick update:

1. Solar for All (SFA)-- \$7 billion of awards for up to 60 states, territories, tribal governments, municipalities and nonprofits to expand the number of low-income and disadvantaged communities primed for distributed solar and storage. Mr. Wu noted IBank's Climate Finance team has been coordinating the relevant state agencies to apply for the maximum award of \$400 million. He clarified that IBank is not seeking SFA funds for itself. Consequently, IBank will be passing the implementation of the award to another state agency following the application.

2. Clean Communities Investment Accelerator (CCIA)— \$6 billion of awards for 2–7 hub nonprofits that will, in turn, deliver funds and technical assistance to increase clean financing capacity of community lenders in low-income and disadvantaged communities. He noted IBank was not an applicant but was communicating with the Treasurer's office relative to their interest in seeking CCIA funds.

3. National Clean Investment Fund (NCIF)—\$14 billion of awards to 2–3 nonprofits and their subrecipients to provide affordable financing for clean technology projects. Mr. Wu noted IBank will seek funds for the state under this application. IBank is not an eligible lead applicant, so it has evaluated becoming a subrecipient with each of the primary nonprofit applicants and aligned with three applications.

Mr. Wu noted IBank's position in advocating that EPA provide established public green banks, like IBank, terms that achieve the following principles:

1. Reasonable timeline for deployment
2. Independence to operate under existing governance structure
3. Lowest cost for the transfer of federal funds
4. Reasonable allocation approach for the size and scale of the state

Mr. Wu informed the Board that awards from these applications are expected in March with funds being transferred by next July. Consistent with the trailer bill language passed this summer, IBank will be working on market analysis to identify qualified financing opportunities within EPA requirements and will coordinate with the relevant agencies tasked with the state's climate goals. Mr. Wu concluded that once allocations are awarded and our plan is fully developed, IBank will come to the Board for approval of this program.

Mr. Wu then informed the Board of recent changes to the Bagely-Keene Open Meetings Act in 2024. Starting January 1st, the Act will be amended to allow for new procedures in the operation of IBank's Board meetings. He noted two of the major changes related to requirements to hold in-person meetings, and the approved methods for remote participation. He clarified that IBank legal will provide the Board with a background memo detailing these changes and will reach out to determine how the Board would prefer to operate. IBank's goal is to announce our new procedures for 2024 at either the November or December Board meeting.

Mr. Wu then informed the Board that last week, IBank joined the State Treasurer's Office to host a Small Business Lender Listening Session with forty participants. IBank received helpful feedback on several topics, particularly ideas for increasing self-certification by the "socially and economically disadvantaged," which will determine if the state earns \$100 million of performance awards. Mr. Wu confirmed that IBank and the Treasurer's office will continue hosting listening sessions virtually and in person throughout the year.

Mr. Wu concluded his report by noting the winner of IBank's Above and Beyond Award: Taylor Carnavale, a Climate Finance analyst. Mr. Wu noted that since joining the Climate Team last year, Taylor has consistently taken the initiative across complex projects. Among many other critical duties, Mr. Wu highlighted her indispensable role leading IBank's effort to coordinate the GGRF application across five state agencies.

Mr. Wu then yielded back to the Chair. Acting Chair Dombrowski thanked Mr. Wu for his report.

### **Consent Item**

#### **3. Approve minutes from the meeting held August 23, 2023**

Acting Chair Dombrowski opened the discussion of the previous meeting's minutes. Mr. Steinorth moved to approve the minutes, and Mr. Quant seconded the motion. Mr. Gillihan abstained from voting as he was not in attendance. The remaining four Board members unanimously approved the August 23, 2023, meeting Minutes.

### **Action Item**

- 4. Resolution No. 23-13 approving issuance of tax-exempt and taxable revenue bonds, as necessary, in an amount not to exceed \$400,000,000 to refund the outstanding The J. Paul Getty Trust's Series 2021A taxable bonds, and IBank's Series 2021B-1 tax-exempt bonds issued for the benefit of The J. Paul Getty Trust and used to finance eligible projects located in the City of Los Angeles.**

Dalibor Zivkovic, Public Finance Analyst, introduced Resolution 23-13.

Mr. Zivkovic started by introducing representatives from the J. Paul Getty Trust: Rudy Salo (Borrower Counsel, Nixon Peabody), Lina Thorenson (Bond Counsel, Orrick), and John Gust and Simon Wirecki (Underwriters, Jeffries). He then discussed the financing, noting the bonds would be sold in a public offering and the proceeds would be used to refund outstanding bonds and finance swap termination costs. The refunding would avoid an upcoming mandatory tender obligation and reduce swap exposure for The J. Paul Getty Trust. He concluded that although the financing may not result in current net present savings, it did reduce the financing risk associated with rising interest rates.

Acting Chair Dombrowski thanked Mr. Zivkovic, welcomed the representatives from The J. Paul Getty Trust, and asked them to comment on the project.

Mr. Salo briefly thanked the Board for their consideration and flexibility. He noted that it was a real pleasure to work with IBank Staff on this financing and on past deals over the years.

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

No Board members had any questions. Mr. Wirecki took the opportunity to thank the IBank Board, noting he always appreciated working with IBank's professional staff and their ability to move these financings in an efficient manner. Mr. Steinorth noted it was always nice to hear positive client feedback.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Steinorth moved for approval of the resolution and Mr. Fernandez seconded. The Board voted unanimously to pass Resolution 23-13.

Acting Chair Dombrowski congratulated The J. Paul Getty Trust on the approval.

**5. Resolution No. 23-14 approving the use of existing funds in the Small Business Finance Center's California Small Business Expansion Fund for use by the Expanding Venture Capital Access Program as a state supplement component and related amendments to the Program's Criteria, Priorities, and Guidelines related to the operation and administration of such state supplement component.**

Derrick Tang, Deputy Director of Venture Capital, introduced Resolution 23-14.

Mr. Tang began by explaining that this state supplement was a long-term goal of the Expanding Venture Capital Access Program (VC Program) to improve performance and participation. He provided the background that the VC Program was originally established with a \$200 million capital infusion from the Federal Government as part of the State Small Business Credit Initiative (SSBCI) 2.0. The VC Program had closed its first VC deal in May and was currently engaged in discussions with multiple firms.

Reflecting on the VC Program's early performance, Mr. Tang noted that there was substantial and recurring market feedback on factors that limited the program's performance and market interest: certain federal restrictions on use of SSBCI funds made IBank a non-standard VC market participant. These limitations reduced the incentive for top performing funds to work with IBank. Mr. Tang illustrated that this inability to "match the market" had significant impacts to IBank: of the six funds that IBank had worked with, only

one was willing to close a transaction under the current program structure. Three of these firms specifically referenced the restrictions on SSBCI funds.

Mr. Tang explained that because of this feedback IBank had worked to improve the program, including consultation with US Treasury staff and a survey of other state's practices under SSBCI for operation of a VC Program. IBank now proposed to establish a state supplement of up to \$50 million, to be deployed over a ten-year period, and to be used to improve program performance. Mr. Tang identified two specific burdensome federal restrictions to be addressed as the cap on fund fee structures, and the limitation for investments in follow on rounds.

He noted the federal cap on fund fees was set at approximately 1.7%, while standard VC industry fees now range from 2% to 2.5%. The VC Program's inability to match these rates was identified as a cashflow burden on funds and an obstacle to IBank's participation with top performers. He further noted this use of state supplement funds for market rate fees was consistent with the SSBCI practices of Colorado, New York, and Hawaii.

Mr. Tang then addressed the impact of the federal restriction that limited participation in finance rounds greater than \$20 million. He explained this cap was set over a decade ago when the average funding round sizes were much lower. This cap restricts IBank's ability to invest in follow on rounds, which are generally well performing companies with strong prospects. Mr. Tang warned that this not only limited IBank's to enjoy strong returns on "winning" investments, but also led to uneven allocation among the fund's limited partner investors, which was logistically and legally difficult.

He clarified that the funds to be used in the state supplement were already located within the IBank's SBFC Expansion Fund and came from programs that had recycled their funds after their intended uses had been met.

Mr. Tang then explained that the state supplement funds would be used pursuant to the VC Program's Criteria, Priorities and Guidelines (Criteria), which would be amended as part of Resolution 23-14. The amended Criteria would dictate the permitted uses and process for the state supplement, and all approvals of such use would continue to come from the VC Program's Investment Committee.

Mr. Tang identified a further technical update to the Criteria to clarify the role of IBank's VC Program contractor Cambridge Associates, as a technical advisor and not a decision maker. Mr. Tang then completed his report.

Acting Chair Dombrowski thanked Mr. Tang for the report and commented that it was a well thought out proposal. He then asked the Board if they had any questions.

Mr. Fernandez thanked Mr. Tang for a thorough report. He noted he understood the use of state supplement for market rate fees but asked for further explanation on the use for follow on investments. Mr. Tang responded that an example of this was for fund to have an initial investment as part of a \$5 million Series A round, with a subsequent investment as part of a \$25 million Series B round upon the achievement of certain milestones. Mr. Tang noted that IBank would not be able to participate in this Series B, and that it would result in a distorted fund portfolio with uneven allocations. Use of a state supplement for investment into Series B would avoid this result and allow IBank to engage with top performers.

Mr. Fernandez asked about the nature of follow on rounds and whether they presented less risk. Mr. Tang clarified that follow on rounds had certain structural advantages including fund participation on the target company's board as well as a longer performance record to analyze. He noted it was "less risk, not no risk". Mr. Wu added that this was a

characteristic of the VC market; each round was generally more successful than the last. Each round carried less risk, but cost more as valuations increased. Mr. Fernandez thanked Mr. Tang and Mr. Wu for the responses.

Acting Chair Dombrowski then asked for any public comment. Hearing none, Mr. Fernandez moved for approval of the resolution and Mr. Steinorth seconded. The Board voted unanimously to pass Resolution 23-14.

Acting Chair Dombrowski congratulated the VC Program on the approval.

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

### **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 2:31 p.m.