

MINUTES

California Industrial Development
Financing Advisory Commission
801 Capitol Mall, Room 150
Sacramento, CA 95841
September 20, 2016

1. CALL TO ORDER & ROLL CALL

Alan Gordon, Chairperson, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 10:30 a.m.

Members Present: Alan Gordon for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director of Finance
William Koch, for Panorea Avdis, Director, Governor's Office of
Business and Economic Development (GoBiz)
Lila Mirrashidi for Jan Lynn Owen, Commissioner,
Department of Business Oversight

Staff Present: Elena M. Miller, Deputy Executive Director CPCFA/CIDFAC

Quorum: The Chairperson declared a quorum

2. APPROVAL OF April 19, 2016 MEETING MINUTES

Mr. Alan Gordon asked if there were any questions or comments concerning the June 21, 2016 meeting minutes. There were none.

Mr. Alan Gordon asked if there was a motion.

Ms. Eraina Ortega moved approval of the minutes; there was a second.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
William Koch for GoBiz	Aye
Lila Mirrashidi for Department of Business Oversight	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Elena M. Miller introduced herself as the Deputy Executive Director of the California Pollution Control Financing Authority (CPCFA) and the California Industrial Development

Agenda Item 2.

Financing Advisory Commission (CIDFAC or the Commission). Ms. Miller proceeded to provide an update on The California Infrastructure and Economic Development Bank's (IBank) concern of fees charged to issuers for Industrial Development Bond (IDB) transactions, specifically on CIDFAC's authority to charge these fees to other state agencies. In June 2016, the Commission approved an IDB transaction that was submitted by IBank on behalf of Capital Corrugated Inc., which included fees of \$12,500 for CIDFAC's administration of the bond transaction. Approximately a month later CPCFA staff met with Ms. Teveia Barnes regarding fees charged to IBank. Ms. Barnes shared her opinion that the California Industrial Development Financing Act (the Act), under which CIDFAC was created, does not grant CIDFAC the authority to charge fees for IDB transactions to other state agencies. Thereafter, IBank's attorney researched the matter and further concluded that the Act does not grant CIDFAC the authority to charge fees to other state agencies for IDB transactions. CIDFAC shared IBank's legal opinion with its attorneys and they agreed. On August 26, 2016, Ms. Barnes was notified by letter informing her that CIDFAC agrees that it lacks authority to charge fees to state agencies which includes IBank and CPCFA. On September 16, 2016, CIDFAC received an email from IBank staff stating the transaction fee charged for the Capital Corrugated Inc. transaction, approved by the Commission in June, will not be paid by IBank, citing the letter sent on August 26, 2016 by Ms. Miller. The fee charged on this transaction was already approved in June 2016 by the Commission, therefore, CIDFAC has requested that IBank send CIDFAC a letter stating that an item be placed on the next meeting agenda for the Commission to consider a change to the Final Resolution approval from the June meeting. A meeting will occur between CIDFAC and IBank to discuss this item further and staff will return to the Commission with an update.

Ms. Miller's second item concerned CIDFAC fees. Citing the March 2016 meeting where the then CIDFAC Executive Director, Terry McGuire, presented to the Commission a two part work plan to begin reviewing and possibly revising first, the California Debt Limit Allocation Committee (CDLAC) IDB scoring system for CIDFAC transactions to reflect the current state of manufacturing in California. Secondly, in response to stakeholder concerns about the CIDFAC fee structure, updates and revisions to CIDFAC's Regulations found in Title 10 at section 6070, Mr. McGuire's work plan included a timeframe for drafting these recommendations that was based on stakeholder input occurring in July 2016, and which tasked staff to seek approval to start a rulemaking to revise the point system and/or fee structure at the August 2016 commission meeting. Ms. Miller stated that CDLAC is currently in the process of updating their general regulations. After meeting with CDLAC several times there has been no discussion about changing the CDLAC IDB scoring system as it applies to CIDFAC's Regulations. Secondly, as to the tasks of identifying recommendations from stakeholders to revise the CIDFAC fee regulations, making recommendations based on stakeholder input and recommending an item for the Commission's approval to begin a rulemaking, CIDFAC has attempted through emails to engage with the stakeholder that spoke to the Commission in March and April, Ms. Gurbax Sahota from The California Enterprise Development Authority (CEDA) and The California Association for Local Economic Development (CALED). To date, Ms. Sahota has been consistent in expressing her concerns about CIDFAC, CIDFAC's fee structure, and most recently communicated with Ms. Miller that revisions to the regulations would be insufficient to address the full breadth of her concerns. Ms. Miller expressed appreciation to the Staff of CPCFA who through the

Agenda Item 2.

Interagency Agreement approved by the board in April 2016, has remained professional in exercising the discretion required to review CIDFAC's IDB applications for accuracy, working with the applicants, and communicating effectively so that the IDB's expeditiously come before the Commission. Mr. Alan Gordon then seconded Ms. Miller's appreciation for CPCFA on behalf of himself and the Treasurer.

Mr. William Koch then asked what type of workload is involved in the pre, current and post work done for CIDFAC. Ms. Miller requested that Ms. Deanna Hamelin come up to answer Mr. Koch's question. Ms. Hamelin introduced herself as the Bond Manager for CPCFA and explained that CPCFA's Bond Program staff helps the applicants with questions, reviews the points with CDLAC staff to gain their approval, and if there are any discrepancies staff works with the applicants to gather the necessary information. Staff also makes sure that all statutory and CIDFAC requirements are met, as well as reviewing the bond documents. Ms. Miller then stated for each application received there is an analyst assigned to the transaction as well as overseen by the Bond Manager. This can be a 30-60 day cycle as expressed by Ms. Miller. Mr. Gordon then asked if Ms. Sahota had any questions.

Ms. Sahota introduced herself as the President and CEO of the CALED as well as the Chair of CEDA, a Joint Powers Authority. Ms. Sahota stated she felt the CIDFAC fee is arbitrary and that if the same project came before CDLAC the fee would be \$428. Ms. Sahota made it clear that she felt that this is not the fault of the CPCFA staff or the current Commission members. Ms. Sahota stated she shared in an email with Ms. Reneé Webster-Hawkins that she would be happy to be a part of a rulemaking, however Ms. Sahota stated that she believed more aggressive acts would be necessary. Ms. Sahota felt that there are too many levels of review and fees for manufacturers to gain access to the federal tax-exempt program because CIDFAC has to work with CDLAC to gain approval for the allocation and does the final assessment on the merit of the project that finalizes the allocation. Ms. Sahota then explained that if the item was taken to the IBank meeting, IBank would not have charged any fees. Mr. Gordon then asked Ms. Sahota why the item was not brought to the IBank meeting since funding was originally with IBank. Ms. Sahota explained that they wanted CEDA to issue the Industrial Development Bond which is what their clients brought to them. Ms. Sahota then stated IBank wouldn't be having a meeting for two months and Ms. Sahota's client needed to meet a closing deadline, therefore CEDA needed to bring their item to the CIDFAC board meeting.

Ms. Lila Mirrashidi asked for clarification about the \$25,000 fee and its accordance with the regulation. Ms. Miller responded by stating that the fee is in accordance with the amount of the bond and the \$25,000 is what is in Title 10 Section 6070 paragraphs (a) and (b) for this level of bond which is for \$12 million. Mr. Gordon then commented that there is really no discretion under the existing regulations. Ms. Sahota then responded that as a board there is discretion to refund a portion of the fees. Ms. Sahota then referenced CIDFAC's fees of \$25,000 versus CDLAC's fees of \$428 when reviewing the same type of application. Mr. Gordon questioned the timeline, and asked why the item wasn't taken to the IBank meeting, as IBank was meeting the following week. Ms. Sahota responded by stating it was the company's decision as well as the advice of the bond counsel to proceed with CEDA as the issuer. Ms. Sahota stated that she did not have a part in that decision. Ms. Sahota mentioned

Agenda Item 2.

that they should not have to take items to IBank to negate the fees.

Mr. Gordon questioned again why they are even bringing their item to board with CIDFAC when in fact it is a refunding of an original IBank deal and that the timing concern didn't make sense. Ms. Sahota stated that it was the business's decision and that they were under the impression that this needed to be done within certain time constraints because of their date of closing. Mr. Gordon stated that there has been a question if CIDFAC needs to exist but this would take legislation for the Commission to go away. Mr. Gordon then stated that there has not been a consistent Executive Director at CIDFAC except for temporary fill-ins over the last several years. Mr. Gordon then called upon Mr. Robert Hedrick who stated the past two Executive Directors were Ms. Marxen and Mr. McGuire.

Ms. Eraina Ortega then spoke and mentioned her confusion as to why if there are two entities that can accomplish the same result, one that has fees and one that doesn't, why wouldn't Ms. Sahota direct her client to the most cost effective option available. Ms. Sahota stated she could go to IBank in the future, but then mentioned that it shouldn't be the solution, and that CIDFAC is a second level of review and is not making a difference. Ms. Ortega sought clarification that Ms. Sahota is requesting to go to CDLAC for allocation and not go through CIDFAC or IBank. Ms. Sahota confirmed this and stated that they originally went to CDLAC. Mr. Gordon stated that this was approximately 30 years ago and that CDLAC does not have the staffing or expertise that CIDFAC does to properly attend to such matters. Mr. Gordon stated that CDLAC does allocation and does not do substantial review of individual projects that the Act was designed for. Mr. Gordon then stated that it comes down to a policy question for the Legislature, which proposed the question of, is there a secondary review necessary beyond just the allocation and if there is, where should it take place. Mr. Gordon stated from the Treasurer's standpoint, they don't agree that there shouldn't be a level of secondary review, and that they don't feel that CDLAC is capable to do the secondary review. Mr. Gordon stated either CIDFAC or IBank are capable of providing the secondary review. Mr. Gordon mentioned that there was a request proposed by Ms. Miller to engage in regulatory review and that Ms. Sahota declined. Ms. Sahota stated she did not decline and that she has sent an email stating that she doesn't feel it should be one or the other and that she would want to go to a broader audience. Ms. Sahota stated this email preceded Ms. Miller's time at CIDFAC and that she would be happy to forward the email. Ms. Sahota stated she would be happy to work with CIDFAC, but proceeded to question why does CIDFAC still charge high fees, or have antiquated applications geared towards manufacturers.

Ms. Ortega then spoke to make two points. First, Ms. Ortega stated an analysis isn't before her and therefore has no opinion and cannot take a position, she then questioned if manufacturing projects need a higher level of review as opposed to complex multi-unit housing projects which is what CDLAC deals with. Ms. Ortega stated that CDLAC has a current type of project and appropriate staff for that project. Ms. Ortega stated that there isn't the appropriate staff or expertise available at this point to provide the services that CIDFAC and IBank provide. Ms. Ortega then stated it was unfair to make the comparison between CIDFAC and CDLAC fees due to the different type of work being done. Ms. Ortega reiterated she has no analysis before her and is not taking a position. Ms. Sahota stated she

has completed an analysis but that she didn't know how to share that information with the Board. Ms. Ortega informed Ms. Sahota to send her and any member a letter directly. Ms. Sahota questioned if a letter could still be sent if the member on the Board, even if they are not always representing at the meetings, and Ms. Ortega stated Ms. Sahota could send the letter to the principle of the department who will then ensure the letter gets to the appropriate delegate. Ms. Sahota stated she would be happy to submit the details of her analysis of what was originally presented to the CPCFA staff. Mr. Gordon moved to business item 4.A., and called upon Ms. Andrea Gonzalez.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE THE ISSUANCE OF TAX-EXEMPT AND TAXABLE BONDS AND TRANSFER INDUSTRIAL DEVELOPMENT TAX-EXEMPT BOND (IDB) ALLOCATION

Presented by: Andrea Gonzalez

Staff introduced Helen Schaubmayer, Program Manager, CEDA

The California Enterprise Development Authority (CEDA) on behalf of Bay Photo, Inc. requested approval of Initial and Final Resolution number 16-0002 for \$12,000,000, consisting of \$1,225,000 in new money tax-exempt bonds, \$1,985,000 in new money taxable bonds and \$8,790,000 to refund prior California IBank Series 2011A and B IDBs. The request also included approval of Allocation Resolution number 16-02-002 to issue \$1,225,000 in tax-exempt IDBs. Bond proceeds will be utilized to finance the construction of improvements to the existing property in Scotts Valley and the acquisition and installation of new equipment.

Staff recommended approval of Initial and Final Resolution No. 16-0002 for \$10,000,000 in tax-exempt bonds (\$8,775,000 Refinancing and \$1,225,000 New Allocation) and \$2,000,000 in taxable bonds (\$15,000 Refinancing and \$1,985,000 New Money) and Allocation Resolution No. 16-02-002 for \$1,225,000 in tax-exempt IDB allocation for CEDA for the Bay Photo, Inc. Project.

Ms. Helen Schaubmayer gave a brief background of Bay Photo Inc., its products and its expansion which would contribute to economic growth under the requested financing.

Ms. Sahota, on behalf of Larry Arbitol, expressed thanks and support of the Board's prior and current support which allows his manufacturing business to continue to thrive in California.

Mr. Gordon requested to go back to a previous question of the current deal, and clarified that the item being presented is a refund of an original IBank deal. Ms. Sahota was asked why CEDA didn't send the company back to IBank.

Ms. Sahota stated the company stated IBank could not meet the timing and at the time there was a contested fee of \$12,500 placed upon IBank. Ms. Miller then referred back to the first item she briefed the board on, and stated she didn't understand how it was

Agenda Item 2.

relevant to the item currently being discussed.

Ms. Sahota stated that IBank was subject to the fee. Ms. Sahota then stated she was not part of the conversation but could only guess that it didn't matter to them where to go because there would be a fee imposed anyway.

Ms. Miller then clarified once again the timeline of the letter dated 8/26/16 as well as the fees that were charged at the June 2016 meeting. The submission from CEDA on behalf of Bay Photo, pre dates the letter that was sent by Ms. Miller to Ms. Barnes at IBank. There had already been a month of work done on the application before Ms. Sahota requested CIDFAC to lower the fees. Ms. Miller explained that she does not have the authority to lower the fees from \$25,000 to \$3,000 and staff diligently brought this item to the Commission today, however the request to reduce the fees came approximately a week ago.

Ms. Sahota stated she would request the borrowers get back to the Commission members as to why the Company chose CEDA rather than IBank. Mr. Gordon agreed and would like for that to happen.

Mr. Gordon then asked what the financial impact/difference was of \$25,000 fee on a bond of a 10 year term of a bond issuance of \$12 million. Ms. Sahota stated she felt it made a difference and then referred to the statute explaining that the fees have to be reasonable and should be commensurate with the work being done and to help with the costs to the Treasurer's office. Ms. Sahota questioned if the work being done or time being put in would warrant the \$25,000 fee.

Ms. Baker requested CIDFAC to go back to the work plan with the involvement of Ms. Sahota in developing a fee schedule. Ms. Baker directed the staff to come back before the board before the end of the year with a proposed fee schedule with some estimate of hours. Ms. Baker then asked if Bay Photo is interested in moving forward with the item and getting this approved. Ms. Baker requested to make a motion for staff to be directed to meet with the stakeholders to discuss the fee schedule. Mr. Hedrick confirmed that Ms. Baker has given the request for a reasonable fee schedule to be completed. Ms. Baker requested a commitment from Ms. Sahota. Ms. Sahota requested clarification on whether it should be a public stakeholder engagement or would this be a staff internal process to provide input on the proposed fee schedule. Ms. Baker deferred to Mr. Gordon, who then deferred to Mr. Hedrick. Mr. Hedrick confirmed that the CIDFAC staff needs to start the process of a proposal to be brought to the Commission before the end of the year. Mr. Hedrick also stated that the Treasurer's Office could not tell Ms. Sahota or her organization of whom they could and could not talk to. Ms. Sahota agreed.

Mr. Koch stated he would like to see the difference of work hours and work performed between the different monetary issuances to reflect the difference or same amount of work involved.

Mr. Alan Gordon asked if there were any questions or comments from the Board or

public. There were none.

Mr. Alan Gordon asked if there was a motion.

Ms. Eraina Ortega moved approval of the item; there was a second.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
William Koch for GoBiz	Aye
Lila Mirrashidi for Department of Business Oversight	Aye

5. PUBLIC COMMENT

Mr. Alan Gordon asked if there were any comments from the public. Ms. Sahota expressed her thanks and gratitude for having a conversation with regard to the fee schedule matter on behalf of herself and her members.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:18 a.m.

Respectfully submitted,



Elena M. Miller
CPCFA/CIDFAC Deputy Executive Director