

California Debt Limit Allocation Committee

Jesse Unruh Building
Room 587
915 Capitol Mall
Sacramento, CA 95814
January 17, 2018
Meeting Minutes

OPEN SESSION

1. Call to Order and Roll Call

Timothy Schaefer, Chairperson, called the California Debt Limit Allocation Committee (CDLAC) meeting to order at 11:14 a.m.

Members Present: Timothy J. Schaefer for John Chiang, State Treasurer
Jacqueline Wong-Hernandez for Edmund G. Brown Jr.,
Governor
Anne Baker for Betty T. Yee, State Controller

Advisory Members Present: Tia Boatman Patterson for the California Housing Finance
Agency (CalHFA)
Lisa Bates for the Department of Housing and Community
Development (HCD)

2. Approval of the Minutes of the November 21, 2017 Meeting (Action Item)

Jacqueline Wong-Hernandez moved approval of the minutes for the November 21, 2017 meeting. Upon a second by Timothy Schaefer, the minutes passed 2-1-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Anne Baker: Abstain; Timothy Schaefer: Aye.

3. Executive Director's Report (Informational Item)

Ms. Whittall-Scherfee welcomed Jacqueline Wong-Hernandez to the CDLAC Board. Ms. Wong-Hernandez replaced Eraina Ortega who previously acted as the Governor's representative. She also thanked Anne Baker for sitting in as the Controller's representative.

Ms. Whittall-Scherfee reported that on December 13, 2017 she requested that the 2017 statewide carryforward be allocated only to the QRRP projects as staff anticipated that there would not be much carryforward left. At that time there was a potential of losing private activity bonds. Staff was unsure as to what would happen at the December 20th round which was added at the last minute to try and make sure that any private activity bonds were not lost. On December 13th, Ms. Whittall-Scherfee estimated that there might be approximately \$500 million left of 2017 state ceiling carryforward. The tax reform bill was signed by both the Senate and the House; therefore, CDLAC's \$1.2 billion in applications for the December 20th round dissolved to a \$1.6 million supplemental request which was approved at the December 20th meeting. CDLAC now had much more 2017 carryforward than anticipated. Decisions had to be made at the December 13th meeting as to how to allocate. Unlike the

past, where a specific dollar amount was allocated, staff allocated a percentage of what would be available at the end of the year to six (6) issuers. The dollar amount of 2017 carryforward as of January 12th was \$1,432,072,607. That amount was substantially higher than the anticipated \$500 million. That carryforward would still be divided among the six (6) issuers that were authorized by the Board.

By the end of December, staff had sent letters to each of the six (6) issuers instructing them as to the percentage and giving them an estimate as to what staff thought that percentage would be. Staff sent revised letters on January 17th advising them what their actual dollar amount would be. The reservation amounts ranged from a low of \$71,603,630 for the San Diego Housing Commission (SDHC) to a high of \$501,225,412 for the California Municipal Finance Authority (CMFA).

Ms. Whittall-Scherfee further reported that in 2017 CDLAC used \$2,492,929,093 of the 2017 state ceiling. A substantial amount of carryforward was also allocated: approximately \$1.3 billion of 2014, 2015 and 2016 carryforward. At this point, there is approximately \$46 million of 2015 and 2016 carryforward remaining. CDLAC came very close to using all of what was its 2017 allocation.

The California Pollution Control Financing Authority (CPCFA) requested an allocation and the ability to allocate. CDLAC proposed that each applicant come to CDLAC for approval of an allocation; however, it does set aside monies to meet the demand request for all of the issuers that submitted a request for demand in 2018.

When Item 5 was presented, there was a line item for allocation on hold, undesignated reserve in the amount of \$1,241,702,940, which gave CDLAC the ability to provide a pool with allocation later in the year, if needed. Staff expects CDLAC to become competitive within a year or two.

Ms. Whittall-Scherfee stated that CDLAC allocates to local issuers, JPAs and issuers that are sister agencies. CDLAC reached out to these groups and their stakeholders to make sure CDLAC did what was best for the programs and for its allocation. CDLAC did not come forward today to ask that any one entity be allowed to do its own allocation. Staff will be exploring, in the next 3 to 6 months, what may be done to improve its processes. CDLAC will be conducting meetings throughout the State to look at our allocation process.

Ms. Whittall-Scherfee stated that the Qualified Public Educational Facility (QPEF) Program was included in the pool reservations; however, it is funded by another source of allocation. The revised sheet for Item 5 shows this item struck from the funding. Staff will be coming back before the Board in March with a request for action for the QPEF Program.

Ms. Whittall-Scherfee stated that there would be no Closed Session today.

Anne Baker expressed the Controller's interest in making sure that what goes on with CPCFA continues in the best way possible without losing the opportunity to fund very important projects in those communities. It is the Controller's understanding that there has been a ten (10) year history amongst the two agencies, and it would be unfortunate if the environmental programs in those communities were to lose their funding or have it delayed. Ms. Baker urged the Board Members that normally represent to focus on these issues going forward.

Tia Boatman Patterson asked if there were a risk to CPCFA and its programs as she was not aware that there were any risks to those environmental programs funding.

Ms. Whittall-Scherfee stated that funding was available.

Mr. Schaefer stated that it would be foolish to assume that there is no risk if we are not making an evidence based decision. Similarly, it would require a much broader conversation if there were more demand than supply. The decision should be thoughtful, evidence based and cognizant of the fact that the day may come when there is not enough funding. Rather than trying to resolve this issue in a very short number of days, Mr. Schaefer encouraged that a process be developed that would engage all of the possible stakeholders in this conversation before the Committee is asked to make a decision. Mr. Schaefer, on behalf of the Treasurer, stated that he will not be satisfied with just a series of meetings. What he is seeking is a very clear understanding of what may happen if the resources are scarcer than the need, how it will be prioritized and that the discussion be shaped through an understanding of what may entail conflicting policy goals. It is his view that these discussions should occur in a more structured environment than can be achieved at a public meeting. Perhaps outreach meetings, one on one conversations, briefings with Committee Members, and outreach to stakeholders as well as an understanding of the operational challenges that may be presented to agencies that have a need. No agency should be put at a structural disadvantage if that agency is accomplishing important policy goals.

Ms. Whittall-Scherfee stated that many of the Board Members are aware that CDLAC has received at least half a dozen letters from stakeholders. Staff is reviewing these letters which have provided valuable input. Ms. Whittall-Scherfee further stated that it is not always a requirement that communication be face to face.

Ms. Baker stated that CPCFA has been around for 40 years and has successfully, in her view, reinvented itself numerous times in the environmental space while addressing environmental issues. It has a recognition in that community for delivering a good product. While it is a small effort compared to a number of others, there is a hope that it does not get lost as some stakeholders are concerned that that may happen.

Mr. Schaefer stated that, at a personal level, he emphatically agrees with that view. He has stated this point repeatedly within the Treasurer's Office.

Ms. Wong-Hernandez is comfortable with looking at the allocation process over the next 3 to 6 months. When the time comes that the resources may become limited, what will be the priorities? Ms. Wong-Hernandez read some of the stakeholder letters and she does not see the 3 to 6 months timeline as harming CPCFA at this point.

Ms. Boatman Patterson state that she liked the broader approach which is consistent with what CDLAC has done and the good work that staff has done. She applauded the bond policies and procedures that have been implemented to hold issuers accountable. Those are all positive steps moving toward a more efficient and streamlined approach as to what the roles are of the issuer and what CDLACs role is. This broader conversation as a precursor to it potentially becoming competitive is completely necessary. Ms. Boatman Patterson is very much in support of the broader conversation as it is in line with what CDLAC has been doing, and it is necessary to have the conversation before becoming competitive.

Mr. Schaefer stated that one of the things that Treasurer Chiang insists on is that staff rhythmically and regularly report accomplishments and what is being done to improve processes. He gave his personal assurance to CPCFAs Executive Director, Renee Webster-Hawkins, that each agency that relies on this resource, the ability to respond effectively and quickly. They will be reaching out to stakeholders to engage in the process. The goal being that all policy goals be met efficiently and timely with no one left behind.

Ms. Whittall-Scherfee agreed.

Lisa Bates stated that she was supportive of the process to this data driven approach.

Ms. Wong-Hernandez stated that that addressed her concerns.

4. Determination and Adoption of the 2018 State Ceiling on Qualified Private Activity Bonds
(Action Item)

Shirley Hom reported that the State’s allocation of private activity bond volume cap is \$4,151,348,565 for 2018. On December 20, 2017, the U.S. Census Bureau reported California’s population as 39,536,653 which was a 0.73% increase from the population estimate of 39,250,017 and the U.S. Treasury increased the per capita formula to \$105 per person.

RECOMMENDATION:

Staff recommended adoption of a resolution (18-001) establishing the 2018 State Ceiling for qualified private activity bonds at \$4,151,348,565.

Jacqueline Wong-Hernandez moved approval of staff’s recommendation. Upon a second by Anne Baker, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Anne Baker: Aye; Timothy Schaefer: Aye

5. Consideration and Adoption of the Apportionment of the 2018 State Ceiling among the State Ceiling Pools (Action Item)

Shirley Hom reported that at the beginning of each calendar year the Committee must establish the amounts for each of the state ceiling pools for the 2018 program year, in accordance with Section 5010 of the Committee’s regulations, implementing the allocation of the State Ceiling on Qualified Private Activity Bonds. The reservation for the QPEF Program was removed from the pool. The reasoning behind this change will be addressed at the March Board Meeting.

RECOMMENDATION:

Staff recommended reservation amounts which reflect the statutory emphasis on affordable housing. Staff recommended the following amounts for each of the State Ceiling Pools for 2018.

State Ceiling Pool	Reservation	Percent of Ceiling*
General Project Pool	\$1,549,630,000	37.33%
- General	\$900,000,000	21.68%
- DDA	\$499,630,000	12.04%
- CalHFA	\$150,000,000	3.61%
Mixed Income Pool	\$300,015,625	7.23%
- General	\$300,015,625	7.23%
- DDA	\$0	0.00%
Rural Project Pool	\$200,000,000	4.82%
- General	\$200,000,000	4.82%
- DDA	\$0	0.00%
<i>Sub-Total – Multifamily Projects</i>	<i>\$2,049,645,625</i>	<i>49.37%</i>
Single-Family Housing-CalHFA/CalVet	\$0	0.00%

Single-Family Housing-Locals	\$300,000,000	7.23%
Single-Family Housing Program Bonus Pool	\$50,000,000	1.20%
<i>Sub-Total – Single-Family Programs</i>	<i>\$350,000,000</i>	<i>8.43%</i>
Extra Credit Teacher Home Purchase Program Pool	\$0	0.00%
Single-Family Home Improvement and Rehabilitation Program	\$40,000,000	0.96%
<i>Housing Total</i>	<i>\$2,439,645,625</i>	<i>58.77%</i>
Beginning Farmer Project Pool	\$0	0.00%
Small-Issue Industrial Development Project Pool	\$11,000,000	0.26%
- IBank	\$11,000,000	0.26%
- CIDFAC	\$0	0.00%
Exempt Facility Project Pool-CPCFA	\$459,000,000	11.06%
Student Loan Program Pool	\$0	0.00%
<i>Non-Housing Total</i>	<i>\$470,000,000</i>	<i>11.32%</i>
Allocation on Hold (undesignated reserve)	\$1,241,702,940	29.91%
GRAND TOTAL	\$4,151,348,565	100.00%

*Percentages are rounded.

Jacqueline Wong-Hernandez moved approval of staff’s recommendation. Upon a second by Anne Baker, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Anne Baker: Aye; Timothy Schaefer: Aye

6. CLOSED SESSION: Litigation (Government Code Section 11126(e)(2)(c)) - Discussion with Legal Counsel Regarding Pending Litigation (San Regis, LLC v. City of Los Angeles, et al., Los Angeles County Superior Ct. Case No. BC637630)

There was no closed session.

7. Public Comment

There was no public comment.

8. Adjournment

The Chairperson adjourned the meeting at 11:46 a.m.