

California Debt Limit Allocation Committee

Employment Development Department
801 Capitol Mall, Room 150
Sacramento, CA 95814

February 20, 2018
Revised 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 10:04 a.m.

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

Advisory Member Present: Tia Boatman Patterson for the California Housing Finance Agency (CalHFA)

2. Approval of the Minutes of the December 13, 2017 Meeting (Action Item)

Alan LoFaso moved approval of the minutes for the September 20, 2017 meeting. Upon a second by Jacqueline Wong-Hernandez, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jacqueline Wong-Hernandez: Aye; Timothy Schaefer: Aye

3. Executive Director's Report (Informational Item)

Laura Whittall-Scherfee reported that this was a very specific meeting that was added for exempt facilities. Ms. Whittall-Scherfee thanked the Board for accommodating the additional CDLAC meetings that were added to their schedules.

Mr. Schaefer asked if there were any comments or observations from fellow Committee members, or anyone in the audience. There were none.

4. Extension of the application due date from January 19, 2018 to February 21, 2018 for Exempt Facility applications *only* to be considered at the March 21, 2018 CDLAC Committee Meeting (Action Item)

Ms. Whittall-Scherfee reported that staff received a request from the California Pollution Control Financing Authority (CPCFA) to have a February meeting because one of their applicants, which is the sole applicant for the exempt facility pool, needed an opportunity to have an inducement resolution which is required per the CDLAC regulations in order to be approved for an allocation at the March meeting.

Ms. Whittall-Scherfee reported that this request needed to occur at the application stage. Because staff only had one applicant for the exempt facility pool it was something staff would consider. Had there been multiple applicants, and those applicants had all complied with the CDLAC regulations that are in effect, then Ms. Whittall-Scherfee would not be coming forward and

recommending this project, because she thinks it is really important that applicants that comply not be penalized for their compliance.

Ms. Whittall-Scherfee stated that staff had one applicant for an entire pool. That is very uncommon for the CDLAC pools; therefore, this request was definitely worth considering. Staff wants to be accommodating when and where it is possible. Staff does want to allocate dollars towards exempt facility deals and the other pools that we consider, and we do want to see projects move forward.

After weighing the pros and cons, Ms. Whittall-Scherfee did not see a reason for not bringing this forward to the Board for consideration. That is why staff requested that the January 19th application deadline for exempt facility deals be extended until February 21st. This will allow North Fork to continue its application process, receive its allocation and not be subject to any delays. They really need their application and allocation approved by February 21st so their project can move forward.

Staff gave advance notice to other issuers that we were going to agendaize a meeting in February, in order that other issuers of exempt facility deals could also submit applications by February 21st, assuming the committee approved that extension.

CDLAC may have additional exempt facility deals that need to be considered between now and the March 21st allocation deadline. That was the most equitable and fair way of ensuring that anyone who had an exempt facility deal had the opportunity to take advantage of the February 21st application deadline.

Staff recommended that the deadline be extended to February 21st. Staff also noted that item 5 had a request for two additional meetings, which caused some confusion, because the application deadline for the April meeting was actually February 16th before the application deadline extension that was requested.

Staff brought this to the Committee as an action item. Normally, staff would have informed the Committee as part of the Executive Director's comments that we were requesting an extension, either of an application deadline or of new Committee dates. Staff felt agenda items 4 and 5 warranted discussion with the Committee as a whole.

Mr. Schaefer suggested that the two (2) items be dealt with individually as both item 4 and 5 were posted separately on the agenda.

Ms. Whittall-Scherfee concurred. She did want to point out that the two (2) items did intermix.

Mr. LoFaso asked Ms. Whittall-Scherfee if she thought there was a realistic anticipation of more applications upon the extended deadline.

Ms. Whittall-Scherfee replied possibly, although she had not heard of any to date. At most, there would be one or two.

Mr. LoFaso stated that he appreciated staff's accommodation to CPCFA and its stakeholders.

Mr. Schaefer and Ms. Wong-Hernandez concurred.

RECOMMENDATION:

In light of the circumstances, staff recommended approval of the Extension of the application due date from January 19, 2018 to February 21, 2018 for Exempt Facility applications *only* to be considered at the March 21, 2018 CDLAC Committee Meeting.

Jacqueline Wong-Hernandez moved approval of the Extension of the Application due date. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Alan LoFaso: Aye; Timothy Schaefer: Aye.

5. Additional CDLAC Committee Dates for 2018 – April 17 and June 19 (Action Item)

Ms. Whittall-Scherfee reported that staff was asked by CPCFA to add additional Committee dates to CDLACs 2018 meeting schedule because CPCFA does monthly meetings and exempt facility deals need allocation more regularly than once a month. Staff is working through the whole process of reviewing how to handle exempt facility deals and all of CDLACs various pools. Staff is looking at our regulations and we are working very closely with the Committee, and we are going to be doing outreach to our various issuers as well.

In order to again accommodate the exempt facility deals that need to move forward, we proposed to add two Committee dates of April 17th and June 19th. With them, we proposed the same application dates that CPCFA has for their applicants, which would be an April 17th meeting with an application deadline of February 16th and then an application deadline of April 20th, for a June 19th meeting.

Now, it is true that for the April 17th meeting the application deadline was Friday. We have just finished extending an application deadline for the March meeting to the 21st, so in fact those applicants for March now have five extra days to get us an application for March while the April meeting is closed.

There was a suggestion that staff extend the February 16th deadline to match February 21st. We had two applications come in on Friday for the April deadline.

Ms. Whittall-Scherfee stated that when she was having discussions with the Board members she was told that those meeting dates did not necessarily work with Member's calendars. CDLAC traditionally has meetings on Wednesdays and there was a desire to keep the meeting on Wednesday and have the allocation after CPCFA has approved the projects on Tuesday.

Ms. Whittall-Scherfee stated that there was a green revised sheet that reflected the changed meeting dates, April 18th and June 20th, if that were the desire of the Committee. Staff does know that there is at least one Board Member that cannot make the April 17th and June 19th meetings. Ms. Whittall-Scherfee wanted to bring this action item up, as staff is trying to make sure that we notify applicants and issuers of these new additions to the CDLAC calendar. Also, that all agree as to what these calendared items should be.

In addition, the other reason Ms. Whittall-Scherfee brought this as an action item as, traditionally, CDLAC added meetings to its calendar for all pools and all reservations and this was a proposal to add extra meetings specifically for exempt facility deals. Ms. Whittall-Scherfee wanted to make sure that the Committee was aware of that and she wanted the Committee to have an opportunity to comment on that item as well.

Mr. Schaefer asked if the additional dates were April 18th and June 20th.

Ms. Whittall-Scherfee replied yes, in order to align with Committee Members schedules.

Mr. LoFaso stated that extending the deadline would allow anyone who is contemplating the March Committee meeting the option to do it in April instead and that very tiny accommodation seems to make sense. Does staff believe there is any value in extending the April deadline to longer than February 21?

Ms. Whittall-Scherfee replied no.

Mr. LoFaso commented that special meetings occur for a variety of reasons. If there were an issue of some urgency in April or June, then the Committee would want to have the ability to accommodate an April or June meeting.

Ms. Whittall-Scherfee concurred. There is a nonexempt-facility item up for discussion during the next item on the agenda. It is the intent to use these additional meetings for other non-application or non-applicant related issues that might arise.

Ms. Boatman Patterson asked if there were both an April and June meeting added.

Ms. Whittall-Scherfee responded yes.

Ms. Boatman Patterson asked if CPCFA has that many projects that they need additional dates.

Ms. Whittall-Scherfee replied that CPCFA has been operating with monthly meetings. CDLAC considers its regulations on a much broader scale in what staff needs to do, and how staff might be more accommodating. Staff is trying to make sure that their applicants do not suffer or are not unduly delayed.

Ms. Boatman Patterson stated that as of last year CalHFA has monthly Board meetings as well, because it has many multi-family projects that are coming on board. The reason why CalHFA went to monthly meetings is perhaps similar to CPCFA's reason. CalHFA did not want projects to be delayed and so it is meeting more regularly while aligning its calendar with CDLAC's, so she is a bit confused.

Ms. Whittall-Scherfee stated that is exactly why staff brought it to this meeting. Staff has not heard from other pools that they needed more meetings, so this is being brought to the February meeting because this was raised with deals which are associated with exempt facility pools. If CalHFA would like it extended to multifamily applications that is the purpose of this Board discussion.

Ms. Wong-Hernandez asked whether or not Ms. Boatman Patterson specifically wanted it extended to her programs. Is the idea that it is not being extended simply because no one has brought it up, or is it because people have been conforming to the CDLAC calendar?

Ms. Whittall-Scherfee stated that it is not only that reason. She would also say that staff would definitely have to look at CDLAC's processes. Our process really is very comprehensive and it includes posting, rating and ranking multiple times. Staff would have to look at our process and try to find ways where it would free up time for staff to be able to accommodate an expanded schedule.

Mr. Schaefer stated that inside the Treasurer's Office one of the things that he encourages in this process is to have all involved think about the processes and about how to get processes aligned timing-wise with all stakeholders.

Ms. Whittall-Scherfee stated that one of the things that staff is doing is figuring out what can be changed that is not in regulation that is more process? What type of regulation changes would staff need to make to be more flexible and nimble and to be able to accommodate the needs of our stakeholders and issuers?

Ms. Boatman Patterson stated that a review of internal processes is always a good idea. It is probably time to have a good conversation, so I welcome that conversation about internal processes in the broader stakeholder community.

Mr. LoFaso commented that the Board should consider the needs of other issuers as Ms. Boatman Patterson stated.

Ms. Whittall-Scherfee is very concerned with making decisions that have the appearance of favoring an applicant or an issuer, or doing something that may even be perceived as being contrary to regulations. Appearances are just as important as actual actions; therefore, she would not want to arbitrarily make decisions like that without getting some advice from Counsel.

Mr. LoFaso thinks that the bottom line is that staff is meeting needs legitimately as they occur and staff is not using the process of meeting an immediate need to take off the table broader looks while staff is meeting immediate needs.

Ms. Boatman Patterson stated that she would like to see the June 20th meeting opened up to other deals beside exempt facilities.

Ms. Whittall-Scherfee replied that it is consistent with what staff can do.

Ms. Whittall-Scherfee stated that the dates where all three of CLDAC's Committee members said they were available is the traditional Wednesday meeting which is one day after CPCFA's meeting.

Mr. Schaefer clarified that the recommendation of the staff is the approval of the addition of two CDLAC Committee dates being April 18th and June 20th. Second, the application deadline for April is extended to February 21st. Third, the June 20th meeting would permit consideration of any application for allocation.

Mr. Schaefer stated that before he asks for a motion on this, he would like to ask the Committee members present if they or their alternates may attend those dates?

Mr. LoFaso responded Wednesday, yes.

Ms. Wong Hernandez replied yes.

RECOMMENDATION:

Staff recommended the approval of two additional CDLAC Committee dates for exempt facility projects.

Alan LoFaso moved approval of the two additional CDLAC Committee meetings. Upon a second by Jacqueline Wong-Hernandez, the motion passed 3-0 with the following votes: Alan LoFaso: Aye; Jacqueline Wong-Hernandez: Aye; Timothy Schaefer: Aye.

Mr. Schaefer asked if there any further discussion here at the Committee. Is there anybody in the room that wishes to speak to this item?

Ms. Webster-Hawkins thanked the Chair, members of the Board, Laura and CDLAC staff for their efforts. CPCFA has been meeting monthly for 40 years. That is 40 years of culture and deal flow as well as handling the allocation for the last ten years. Moving to the new normal is requiring adjustment by all of us and she certainly appreciates your thoughtfulness in approaching this.

Ms. Webster-Hawkins stated that the motion does meet our need for the short-term transitions and she looks forward to engaging in that broader discussion of managing the resources. Thank you.

Mr. Schaefer thanked Ms. Webster-Hawkins. He asked if there is anybody in the general public or from any other issuing agency in the room that wishes to speak to this item. Is there anybody on the telephone that wishes to speak to this item?

6. Consideration and Adoption of the 2018 State Ceiling on Qualified Public Educational Facility (QPEF) Bonds for the California School Finance Authority (Action Item)

Ms. Whittall-Scherfee stated that this item had to be pulled from the January meeting and staff is bringing the request before the Board today as opposed to waiting until the March meeting.

Mr. Barcelo reported that Qualified Public Educational Facility Bonds, (QPEF), are tax-exempt private activity bonds issued to finance the construction, renovation and furnishing of primary and secondary school facilities.

The limit for the QPEF Program is calculated by multiplying the state population by a factor of \$10.00.

On December 20th, 2017, the U.S. Census Bureau issued a press release reporting California's population as 39,536,653 which, when multiplied by the \$10.00 factor, results in a QPEF volume cap of \$395,366,530 for 2018.

Mr. Barcelo further reported that the agenda item satisfied CDLAC Regulation Section 5020 that requires the Committee to determine and announce the QPEF State Ceiling at the beginning of each calendar year.

Also included in this agenda item is a request by the California School Finance Authority, (CSFA), for bond allocation of the QPEF Program in the amount of \$200 million to meet the expected demand for 2018.

Staff recommended adopting the attached resolution establishing the 2018 State Ceiling for QPEF Bonds at \$395,366,530.

Staff also recommended reserving \$200 million of 2108 QPEF State Ceiling for the California School Finance Authority.

Mr. Schaefer stated that the resolution called for the QPEF Bond Ceiling, but the resolution did not discuss the reservation to the School Finance Authority. Is that okay that we have done it that way?

Robert Hedrick replied yes.

Mr. Schaefer asked if there were any discussion before we entertain a motion.

Mr. LoFaso inquired if this \$200,000,000 request by CFSA had no sub-allocation authority. Do these all get approved by CDLAC like the multifamily issue bonds?

Mr. Barcelo responded in the affirmative.

Mr. Schaefer asked if there were any further comments. A motion would be in order here. This motion that has two parts. First, to move to approve the resolution and adopt the 2018 State Ceiling on Qualified Public Educational Facility Bonds at \$395,366,530. Second, to approve a requested bond allocation of \$200 million (51%) for CSFA to meet expected demand for 2018 based on the projected pipeline.

RECOMMENDATION:

Staff recommended the adoption of Resolution 18-002 establishing the 2018 State Ceiling on Qualified Public Educational Facility Bonds at \$395,366,530, and to approve a requested bond allocation of \$200 million for the QPEF Program.

Jacqueline Wong-Hernandez moved approval of Resolution 18-002 establishing the 2018 State Ceiling for QPEF's, as well as approving a reservation of \$200 million for the QPEF Program. Upon a second by Alan LoFaso, the motion passed 3-0 with the following votes: Jacqueline Wong-Hernandez: Aye; Alan LoFaso: Aye; Timothy Schaefer: Aye.

7. Public Comment

There was no public comment.

8. Adjournment

The Chairperson adjourned the meeting at 10:54 a.m.