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INDEPENDENT CITIES FINANCE AUTHORITY

BOARD OF DIRECTORS SPECIAL MEETING
DECEMBER 28, 2011

MINUTES

I. CALL TO ORDER.

The meeting of the Executive Committee of the Independent Cities Finance Authority (ICFA) was called to order at the La Villa Basque Restaurant in the City of Vernon on December 28, 2011 at 12:10 p.m. by President Mike McCormick.

II. ROLL CALL.

Members Of The Executive Committee/Board of Directors Present (Voting)

W. Michael McCormick	Vernon
Mario Gomez	Huntington Park
Gil Hurtado	South Gate
Joseph Lillio	San Fernando
Jim Morton	Lynwood

Alternate Members Of The Board of Directors Present

None

The cities of Baldwin Park, Compton, Hawthorne, and Hermosa Beach were not represented by a voting member.

Guests Present

Michael Chapin	FigTree Energy Resource
Don Hunt	Fulbright & Jaworski
Dan Massiello	Kinsell, Newcomb & De Dios
Juli Morabe	Ken Spiker And Associates
Janees Williams	Kinsell, Newcomb & De Dios
Ryan Warburton	Ballard Spahr
Wes Wolf	Wolf & Company

Staff Present

Scott Campbell	Best Best & Krieger LLP
Debbie Smith	Smith, Alvarez & Castillo/ICFA

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

There were no amendments or adjustments to the agenda.

IV. PUBLIC COMMENTS.

There were no members of the public who wished to speak.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE SEPTEMBER 28, 2011 EXECUTIVE COMMITTEE MEETING.

It was moved by Jim Morton, seconded by Gil Hurtado, and unanimously carried that the minutes of the September 28, 2011 Executive Committee meeting be approved.

B. RATIFICATION/APPROVAL OF RESOLUTION 2011-4 (A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE ISSUANCE OF ITS NOT TO EXCEED $30,000,000 AGGREGATE PRINCIPAL AMOUNT OF INDEPENDENT CITIES FINANCE AUTHORITY HOSPITAL REVENUE BONDS (DOWNEY REGIONAL MEDICAL CENTER-HOSPITAL, INC.) SERIES 2011 (FEDERALLY TAXABLE) AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH) AND APPROVAL OF PARTIAL PAYMENT OF CONSULTANT FEES RELATING TO THE FINANCING.

RESOLUTION 2011-4:

Staff noted that on August 24, 2011 meeting the Executive Committee adopted said resolution. Staff is now seeking ratification/approval of Resolution 2011-4 by the Board of Directors. Said resolution formally authorizes the issuance and delivery of the bonds and execution of the bond documents for the Downey Regional Medical Center-Hospital financing.

Staff further noted that a hearing is scheduled on January 26, 2012 to confirm the Hospital's plan of reorganization and to approve claims settlement and release necessary agreements to conclude the bankruptcy proceedings. As such, it is anticipated that closing will take place during the month of February 2012.

PARTIAL PAYMENT OF CONSULTANT FEES:

Staff noted that in June of 2011, ICFA requested that the Downey Regional Medical Center-Hospital pay a $75,000 retainer fee to the Authority as a good faith deposit. This was due to the fact that numerous hours had been spent by consultants on a project that, at that time, was uncertain. In order for the financing team to recover some of its 2011 expenses relative to the projects, staff is proposing allocating a portion of the fee against the $75,000; the remaining fee balance will be paid upon the bond closing.

After reviewing a chart containing the total fees due at closing and the pro rata share of consultant fees, it was moved by Mario Gomez, seconded by Jim Morton, and unanimously carried as follows:

1. To ratify/approve Resolution 2011-4 approving the bond issuance and the various agreements and document relating thereto; and
2. To authorize President McCormick and staff to execute all necessary documents; and
3. To approve the partial payment of fees (pro-rata share) to consultants.

C. UPDATE ON ENERGY HELP PROGRAM AND DISCUSSION OF PAYMENT OF RATING FEES TO STANDARD & POOR'S.

On August 24th, FigTree Energy Resource Company made a presentation to the ICFA Board re their Energy HELP (Home Efficiency Loan Program). The program is being developed to target cities with high energy usage homeowners who are interested in financing energy efficiency improvements.

Michael Chapin of FigTree Energy Resource Company provided an update on their marketing efforts and structure of the program.

Staff noted that since this is a new structure which has not been rated before, Standard & Poor's is requiring a $75,000 fee for a preliminary rating and an additional $75,000 for the final rating. As Underwriter, Kinsell, Newcomb & De Dios is willing to pay for one-half of the initial $75,000 rating fee and is asking that ICFA pay the remaining portion ($37,500) if the issue is never sold. If the financing is completed, the rating fee, as usual, will be paid from the cost of issuance. Kinsell Newcomb is in discussions with Standard & Poor's to determine if the rating fee could be reduced. It was noted that Kinsell Newcomb is exploring other options which would not require a rating from Standard & Poor's and, thus, not paying a rating fee.

It was pointed out that it is the issuer's (ICFA's) responsibility to pay the rating fee. In the case of mobile home park financings, the transactions have closed and the rating fees were paid out of the costs of issuance. If for some reason, the transactions would not close, the rating fee would be paid by the nonprofit requesting the financing.

After numerous questions and a lengthy discussion, it was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried for ICFA to enter into an agreement with Standard & Poor's to pay one-half of the initial rating fee at a cost not to exceed $37,500, should it be necessary.

D. APPROVAL/DISCUSSION OF AN ICFA "BRIDGE LOAN" PROGRAM FOR SPECIAL DISTRICTS AND SMALL ISSUERS.

Dan Massiello of Kinsell, Newcomb & De Dios reported generally as follows:

OVERVIEW

Several special districts in Northern California intend to finance certain capital projects with long-term financing from the U.S. Department of Agriculture (USDA). They are each in various stages of the application process but have identified a need for financing and moving forward with their projects now. Cameron Weist, Esq. a public finance attorney who currently represents these special districts, and Kinsell Newcomb & De Dios (KND)have been in discussions about issuing a "bridge loan" to these agencies so they may proceed with their projects now. The bridge loan will be repaid with the proceeds of a USDA loan.

PROGRAM OUTLINE

ICFA would issue Bond Anticipation Notes (BANs) and use the proceeds to fund Bridge Loans to these special districts. The BANs will be backed by installment purchase agreements between the special districts and ICFA. The installment purchase agreements will be backed by a net revenue pledge from the special districts. Because ICFA BANs would receive a lower interest rate than any alternative financing structure available to these special districts, the ICFA Bridge Loan Program will be very appealing to these agencies.

Another appealing aspect of the Bridge Loan Program is that it will be a streamlined and efficient financing process that will not overburden district staff. Special districts generally do not have large staffs, so the financing and installation of needed capital improvements can get delayed due to the perceived complexity of issuing their own debt securities. Current economic conditions present an opportunity for these agencies to achieve substantial savings on construction costs and they want to take advantage of the situation. The Bridge Loan Program will bring value to these special districts both in terms of cost savings and reduced administrative burden in the implementation of their financing needs, goals and objectives.

The special districts that have been identified as the initial participants in this program are clients of Mr. Cameron Weist. Mr. Weist has long-standing relationships with these agencies; therefore they look to him for guidance and advice on all things finance related. It is recommended that Mr. Weist be approved as ICFA's Bond Counsel for those instances when his clients utilize the ICFA Bridge Loan Program.

STRUCTURE

Bridge Loans will be issued to provide financing in anticipation of the receipt of a USDA loan. Initial Bridge Loans will be supported by the utility operations (i.e. water or wastewater) of the special districts. Bridge Loans will be supported by the Net Revenues of the system, which will be pledged to the repayment of the Bridge Loan. The Net Revenue pledge will be defined generally as Gross Revenues of the system less maintenance and operation costs (and water purchase where applicable).

The size of any Bridge Loan will be based solely on a borrower's ability to support a long-term "take out" financing on its own, regardless of whether or not the USDA loans are ultimately awarded.

Agencies will need to demonstrate their ability to provide 1.25x debt service coverage on a projected long-term borrowing disregarding of any potential USDA financing.

Bridge Loans will be funded with the issuance of BANs by ICFA. It is anticipated that BANs will have a debt service reserve fund sized to cover 6-months' of interest payments. Principal of the BANs will be due at maturity, which will be between one and three years from the date of issuance, depending on the needs of the borrower. Optional call features will be included to enable the borrower to redeem the BANs early should the USDA loan be approved before the stated maturity date of the BANs.

After a discussion of Standard & Poor's rating, President McCormick asked if there were any comments or questions. There were none.

It was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried to approve an ICFA "Bridge Loan" program as described above, and further to approve Carmon Weist as Bond Counsel for those agencies that utilize the ICFA Bridge Loan Program.

E. APPROVAL OF FUNDS TO KINSELL, NEWCOMB & DE DIOS, INC. AND WOLF & COMPANY, INC. FOR THEIR EFFORTS ON BEHALF OF THE CHARTER SCHOOL CLOSING.

Staff reported generally as follows:

On September 28, 2011, the ICFA Board of Directors approved Resolution 2011-5 thereby issuing approximately $20 million in qualified school construction bonds for the construction of a charter school in the City of Los Angeles by Alliance for College-Ready Public Schools. The deal closed on November 9, 2011.

Due to the large number of participants involved in the financing, the complexity of the transaction, and the amount of time participants spent to complete the financing, the firms of Kinsell, Newcomb & De Dios, Inc. and Wolf & Company, Inc. were both asked to reduce their fees by $10,000 each just prior to closing. Staff was informed that all parties involved in the transaction reduced their fees, with the exception of ICFA, so that there would be enough money for the school construction. In order to close the transaction and for the construction schedule to be completed, the reduction in the $20,000 of fees was approved by all parties.

President McCormick asked if there were any questions or comments. There were none.

It was moved by Mario Gomez, seconded by Gil Hurtado, and unanimously carried to authorize the payment of $10,000 each to the firms of Kinsell, Newcomb & De Dios, Inc. and Wolf & Company, Inc. as part of the closing fees in conjunction with the Alliance for College-Ready Schools.

F. APPROVAL OF FIRST AMENDMENT TO ASSOCIATE MEMBERSHIP AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND ICFA.

Staff reported that in the latter part of 2009 and early 2010, Ken Spiker And Associates, Inc. was retained by ICFA to amend the original Associate Membership Agreement with the City of Los Angeles to allow ICFA to issue tax exempt bonds in the City of Los Angeles.

The Los Angeles City Council took action on January 27, 2010 approving the amendment. To maintain accurate records, ICFA needs to take action approving the amended Associate Membership Agreement.

It was moved by Gil Hurtado, seconded by Mario Gomez, and unanimously carried as follows:

1. To approve the Amended Associate Membership Agreement between the City of Los Angeles and ICFA; and
2. To authorize President McCormick and staff to execute same.

G. UPDATE ON PENDING PROJECTS/ACTIVITIES.

Updates were provided on the following projects/activities:

- Get Home NOW Program

VI. COMMENTS FROM BOARD MEMBERS.

President McCormick thanked everyone for attending and wished them all a safe and Happy New Year.

VII. MATTERS FROM STAFF.

There were no matters from staff.

VIII. ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 1:30 p.m. in memory of Ginny Lambert, former Hawthorne City Council Member and ICFA Board Member.

Respectfully submitted,

Deborah J. Smith
Program Administrator