

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
October 22, 2008**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) meeting to order at 10:53 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
John Chiang, State Controller
Tom Sheehy for Michael C. Genest, Director, Dept. of Finance
Paul Clanon via teleconference for Michael R. Peevey, Director,
Public Utilities Commission
Tim Tutt for Jackalyne Pfannenstiel, Chair, California Energy
Commission

Staff Present: Jan McFarland, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the September 24, 2008 meeting minutes. There were none.

Mr. Sheehy moved approval of the minutes. Upon a second, the minutes were passed with the following vote: Mr. Tutt, Aye; Mr. Clanon, Aye; Mr. Sheehy, Aye; Mr. Chiang, Aye; Ms. Redway, Aye.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Ms. McFarland reported that at the September 24, 2008 Board Meeting, the Board approved staff's recommendation to develop a program to promote private activity bonds for district heating and cooling projects that use zero emission heating and cooling (ZEH/C). She stated that staff expects a geothermal district heating and cooling project to apply for a private activity bond financing.

CAEATFA staff will continue outreach for ZEV technology financing. She also stated that Tesla Motors which intends to apply for sales tax exemptions for zero emission vehicles

(ZEV) has been delayed for about six months. Ms. McFarland added that several ZEV or related battery-type companies have expressed interest in applying for sales tax exemptions.

Ms. McFarland stated that the Board approved Citigroup Global Markets, Inc. as the new Remarketing Agent for General Electric Capital Corporation (Arroyo Energy Project). The appointment of the new Remarketing Agent Agreement was executed on October 7, 2008.

Ms. Redway asked if there were any questions or comments from Board. There were none.

4. BUSINESS ITEM

A. REQUEST TO APPROVE RESOLUTION AUTHORIZING THE ISSUANCE OF CLEAN RENEWABLE ENERGY BONDS

1) Clean Renewable Energy Bonds (Caltrans Solar Photovoltaic Projects) \$20,000,000

Ms. McFarland introduced the representatives for this item to the Board Members: Jeanne Trujillo of the State Treasurer's Public Finance Division; Neal Skiver, Banc of America Leasing & Capital, LLC; John Wang, Attorney for Orrick, Herrington and Sutcliffe; Barbara Lewis of the Office of Innovative Finance, California Department of Transportation (Caltrans) and Brian Gorban, CAEATFA.

Ms. McFarland stated that Clean Renewable Energy Bonds (CREBs) utilize private tax credits from the Internal Revenue Service to provide low cost financing for municipal, state and tribal governments for renewable energy projects. She stated that Caltrans is seeking approval for CAEATFA to issue up to \$20,000,000 in CREBs to finance the installation of solar photovoltaic (PV) panels in 70 Caltrans buildings throughout the State. Ms. McFarland added that these projects were highlighted in the Governor's budget.

Ms. McFarland also stated that the CREBs are expected to price and sell in January 2009 and, since the federal bailout bill has been extended, the CREBs deadline is not until December 31, 2009. Upon approval of the bond resolution, the Treasurer would be authorized to sell the bonds before December 31, 2009. She noted that since there is a 60-day hold period per Proposition 58, the earliest these bonds can be sold is December 22, 2008. She stated that Caltrans also intends to put out a bid for installation of these PV projects to firm up the cost prior to the CREB's closing.

Mr. Gorban stated that the CREBs are not typical bonds because the Internal Revenue Service sets the term of the bonds (typically between 14 to 15 years) through a formula which is published daily. Both the interest rate and bond term are locked in on the day of closing. Mr. Gorban noted to the Board Members that the Term Sheet (Exhibit A of the bond resolution) ensures that the interest rate will not exceed 2 percent. He stated that the State Treasurer's Office will be tracking the market to make sure that the term and interest rate of the CREBs are favorable to Caltrans and the State. Caltrans or the State Treasurer's Office can choose not to issue the bonds if the market goes south causing either an unfavorable interest or term rate.

Ms. Redway asked if there were any questions or comments from the Board.

Mr. Sheehy asked who the issuer is for these bonds. Ms. McFarland responded that CAEATFA is the conduit issuer.

Ms. Redway asked if Banc of America Leasing and Capital (BOA) will purchase the bonds through a private placement. Mr. Gorban responded that BOA will purchase the full amount of the bonds pursuant to a private placement transaction.

Ms. Redway complimented CAEATFA staff for putting all the pieces together since this is the first time the State has done a CREBs transaction.

Ms. McFarland also thanked Stepan Haytayan of the Attorney General's Office and Jeanne Trujillo of the Public Finance Division for their hard work.

Ms. Redway commented that other state agencies should think about pursuing CREB bond financing if they have small projects. She added that state agencies would need to apply to the IRS for approval of a CREBs allocation.

Mr. Sheehy referred to the staff report under Economic Benefits which states that Caltrans projects are projected to provide electricity production with annual savings for Caltrans and the State of California of \$1,500,000 a year. He asked if Caltrans would provide any annual report on the actual savings on energy rates; since this may be an area where more bond issuance can be provided, it might be a good idea to get some feedback from the department.

Ms. Lewis responded affirmatively and stated that Caltrans is expecting some savings to be generated beyond the amount needed for rate service payment. She added that staff is preparing for the Request for Proposal (RFP) process and that the language in the budget act requires Caltrans to provide an annual report on the CREBs projects.

Mr. Sheehy asked if Caltrans is organized geographically in the districts and is it the Department's intent to try to do installations in most of the districts.

Ms. Lewis responded affirmatively and added that Caltrans is spread throughout the State.

Ms. Redway also responded to Mr. Sheehy by referring him to Attachment A of the resolution which gives a listing of project locations describing the annual energy and cost savings gained by installing the solar panels.

Ms. Redway asked if there were any questions or comments from the Board or the public. There were none.

Mr. Sheehy moved approval of the resolution. Upon a second, the resolution was passed with the following vote: Mr. Tutt, Aye; Mr. Clanon, Aye; Mr. Sheehy, Aye; Mr. Chiang, Aye; Ms. Redway, Aye.

5. PUBLIC COMMENT

Ms. Redway asked if there were any comments from the Board or the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting was adjourned at 11:03 a.m.

Respectfully submitted,

Jan E. McFarland
Executive Director