

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 17, 2012**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:33 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director,
Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the December 13, 2011 and the January 4, 2012 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Gordon moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian announced that Jayme Tesser, bond analyst, is leaving CPCFA to rejoin her former employer, the Unemployment Insurance Appeals Board. In addition to Ms. Tesser's work in the bond program, Jayme was especially helpful assisting in the California Capital Access Program (CalCAP).

Mr. Paparian reported that the Sustainable Communities Grant and Loan Program (SCGL) sunsetted on January 1, 2012. SCGL provided assistance for a variety of projects throughout the state and was funded by bond fee revenues with no support from the General Fund. Unfortunately, there were not enough funds to seek a program extension. Mr. Paparian stated that he would present project details to the Board once the Annual Report for SCGL is completed.

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Mr. Paparian further reported that the bond program is the beneficiary of a substantial amount of carry-forward allocation this year. Staff expects the final number to be close to \$700 million. CPCFA is required to inform the Internal Revenue Service (IRS) that it possesses this carry-forward allocation and to report the amount of funds it expects to use for waste and recycling, as well as water and wastewater projects. Staff is exploring what the expected demand will be in each of these areas. Under IRS rules, CPCFA has three years to use this carry-forward allocation for bond issuances. In total, CPCFA currently has over \$2 billion in carry-forward from the past three years.

As one of the agenda items today indicates, Mr. Paparian is required to inform the Board when CPCFA uses certain delegated authorities related to bonds. CPCFA recently approved a new letter of credit bank for the Hilmar Cheese Company for their outstanding bonds.

Mr. Paparian stated that CalCAP was affected by two bills that went into effect on January 1, 2012. One change was to add microlenders to the list of lenders that may use CalCAP. Currently, CalCAP lenders include banks, credit unions, certain Small Business Association lenders and certain lending consortiums as well as Community Development Financial Institutions (CDFI). AB 901, by Assembly Member V. Manuel Perez, added microlenders to the list of qualified lenders that are not already participating lenders. CalCAP will be holding a workshop on January 19, 2012, to help staff better understand how to define microlenders and to solicit input on such issues as to whether staff should include or exclude unregulated microlenders, individuals who lend to businesses, or any other entities. Non-CDFI microlenders will have to use state funds for assistance since federal funds are limited to banks, credit unions and CDFI's.

Mr. Paparian reported that through existing lenders, CalCAP is already assisting with micro loans. Mr. Paparian stated that there is not a clear definition of what constitutes a micro loan. If one were to assume a micro loan is under \$50,000, then about 2/3 of CalCAP's loan volume in 2011 were for micro loans, and over 20% of the loans CalCAP processed in 2011 were for loans under \$5,000.

Mr. Reyes asked if there is no definition for a microlender then who establishes that definition, or may the Board establish a definition in its regulations.

Mr. Paparian stated that is one of the items that staff will be working on with counsel to establish. There is a general definition in the statute but it is not specific enough to determine what constitutes a microlender. Hence, the January 19 workshop to clarify the definition of a microlender. Mr. Paparian further stated that staff may be coming back to the Board with regulations, if necessary.

A. INFORMATIONAL REPORT REGARDING CALCAP CONTRIBUTIONS FOR SEVERELY AFFECTED COMMUNITIES

Mr. Paparian stated that Item 3A in the Board's agenda packet is a report on CalCAP's severely affected communities' efforts. This item summarizes much of what has been in agenda items or Executive Director reports over the past year and a half.

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Mr. Paparian reported that the CalCAP statute requires extra assistance in severely affected communities. The statute defines severely affected communities as enterprise zones or other areas designated by the Executive Director. In 2010, the legislature added high unemployment areas to the definition and defined those as areas with 110% or more of the statewide average unemployment. Mr. Paparian further stated that in 2008 a statutory change allowed CalCAP to reduce its state contribution to loan loss reserve accounts. This was done in order to preserve CPCFA funds while allowing CalCAP to continue at a more modest level. When new funds became available in 2010 and 2011, CalCAP was able to return to higher historical levels of contributions to loan loss reserve accounts. Unfortunately, due to an anomaly in the 2008 statutory language, when CalCAP returned to higher contributions, it could not simultaneously increase the contributions in severely affected communities.

AB 981, by Assembly Member Hueso, corrected the statutory language so CalCAP could return to an added incentive in severely affected communities.

Mr. Paparian stated that CalCAP will now provide a boost in its contribution in areas of high unemployment and enterprise zones. Other areas could be added in the future. An example, food deserts, which have been the subject of legislation in the past year.

For a typical loan in such a severely affected community, the borrower and lender will each contribute 2% of the loan value to the loan loss reserve account. CalCAP will contribute the standard 4% plus an extra 2% boost, because it is in a severely affected community, for a total of a 6% CalCAP contribution. Mr. Paparian added that there is more detail about how this will work within the agenda item, including the differences between a loan that qualifies for federal funds and a loan that does not.

Mr. Gordon asked if there was any attempt to differentiate between urban and rural. When they were looking at water quality financing a few years ago, historically there were numerous communities throughout the central valley, primarily small, predominantly Latino communities, that were not able to access money for water quality improvements because all the monies were going to San Francisco and Los Angeles. Is there any ability to look at this and try to give some weighted points to some of these communities that might be outside of historical urban areas.

Mr. Paparian replied that if there is high unemployment in the area, there would be the added incentive. When looking at the statistics through the central valley and in Imperial County, it is clear that those are significant areas of high unemployment although there are pockets all over California. Mr. Paparian stated that those areas would benefit from the added contribution in terms of encouraging lending in those areas. He further stated that CalCAP conducts outreach to the lenders, but it is up to the lenders to make the final decision regarding lending. Staff is hopeful that with the added incentive, the lenders will lend more in these areas where it is most needed.

4. BUSINESS ITEMS

A. REQUEST FOR APPROVAL OF INTERAGENCY AGREEMENT WITH CALRECYCLE IN THE AMOUNT OF \$500,000

Presented by: Alanna Parker, Analyst

The Department of Resources Recycling and Recovery (CalRecycle) has agreed to continue to participate in CalCAP as an Independent Contributor. The proposed Interagency Agreement between CPCFA and CalRecycle allocates up to \$500,000 of CalRecycle funds. These funds will be used for the CalRecycle Independent Contributor program, to provide small business owners that meet CalRecycle's eligibility requirements assistance obtaining financing through CalCAP lenders. The terms of the Agreement will be from January 17, 2012 through June 15, 2014.

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

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST APPROVAL TO CONTRACT FOR LEGAL COUNSEL SERVICES

Presented by: Dona Yee, Analyst

On October 25, 2011, the Board approved staff to proceed with a Request for Proposals (RFP) for legal services for up to five firms and up to \$550,000. Staff received responses from eleven firms and is proposing to award contracts of \$135,000 each to four firms, totaling an aggregate amount of \$540,000. Staff requested the Board's approval of a resolution to execute contracts to provide a variety of legal services with the following firms:

- Law Offices of Leslie M. Lava
- Law Offices of Alexis S. M. Chiu
- Orrick, Herrington & Sutcliffe LLP
- Hawkins Delafield & Wood LLP

Legal services will include serving as Issuer's Counsel to the Authority on bond financings to the extent that those services are unavailable through the Attorney General's Office.

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

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

C. RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO BOND FINANCINGS

Presented by: Doreen Smith, Program Manager

Staff requested Board approval of a resolution authorizing delegation authority to the Executive Director and Deputy Executive Director of CPCFA for certain routine matters with respect to the Authority's bond program.

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

Mr. Reyes asked if there was any particular reason approval of delegation authority is done for a twelve month period and not extended indefinitely, or for three or four years.

Mr. Paparian replied that when this issue first came before the Board a few years ago, the Board, at that time, wanted to review it on an annual basis. Mr. Paparian added that he saw no reason why approval needs to continue on an annual basis unless there were some unforeseen changes.

Mr. Reyes stated that unless there were some changes as a result of the environment, industry changes, legislation or a court case, etc., he would prefer that the date be eliminated. Staff could then come back to the Board when necessary to approve any amendment.

Ms. Redway asked Jade Turner-Bond, legal counsel, if the Board is allowed to do what Mr. Reyes proposed, or does it need to be re-noticed.

Ms. Turner-Bond stated that she thought it needed to be re-noticed.

Mr. Reyes asked if it was possible to just change the date from one year to three years.

Ms. Turner-Bond stated that she felt it had to be re-noticed with the new date.

Mr. Reyes then stated that if it needed to be re-noticed, he would like to propose an indefinite date.

Ms. Redway suggested that the Board approve the current Resolution today and then have it brought back before the Board next month with an indefinite date. Ms. Redway further stated that all the Authorities approve annually; therefore, this matter should be addressed before all of the Boards for uniformity.

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

Ms. Redway asked if there was a motion.

Mr. Gordon moved approval of the item; upon a second, the item was unanimously approved.

D. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) United Pacific Waste

Presented by: Alejandro Ruiz, Analyst

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$31,535,000 to finance the construction of a CNG fueling station and the acquisition of an existing operating site and waste collection equipment, such as trucks and bins.

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

Mr. Gordon asked how long the facility in Pico Rivera has been operating.

Mr. Holmstedt stated that he has been working with United Pacific Waste and its predecessor company, Phoenix Waste, for approximately five or six years. He believes the facility in Pico Rivera has been operating for ten years.

Mr. Gordon asked if there was any community opposition to the facility expansion.

Mr. Holmstedt stated that the facility was not going to expand. There are three sites at this time and, during the last five or six years, United Pacific Waste has been moving some of its operations from one area of the facility to another. It also expanded some of its truck maintenance facilities. The operation, from a community perspective, has gotten better. The actual activity at the site has not changed much. With the new contracts, there may be a slight increase in truck traffic, but overall the operation will remain much the same.

Mr. Gordon inquired if there was any community opposition at all to extending the life of this facility.

Mr. Holmstedt stated none that he had heard. He was at a recent function for United Pacific Waste and met the mayor of Pico Rivera, who was very receptive of the project, as well as one of the council persons who offered no opposition. Mr. Holmstedt further stated that this is an Initial Resolution, when the company comes back for a Final Resolution, it will need a community support letter then. In regards to the Initial Resolution, the company was looking at receiving an Inglewood

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contract as well as the Pico Rivera contract. Since filing the Initial Resolution, the company has decided not to pursue the Inglewood contract; therefore, it will end up doing less equipment and financing. All of these details, and the community support letter, will be brought back before the Board at the time of the Final Resolution.

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

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

2) **Flex OC Renewables, LLC**

Presented by: Deanna Hamelin, Analyst

Staff introduced Scott Geary of FlexEnergy, Inc.

Staff requested approval of an Initial Resolution for an amount not to exceed \$9,000,000 to finance a landfill gas-to-energy project and associated equipment to generate and transport the gas. The company has secured an option with Orange County for all of the landfill gas produced at the Santiago Canyon Landfill over the next 10 years plus a 10 year option agreement for the gas.

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

Ms. Redway asked if there was a motion.

Mr. Gordon moved approval of the item; upon a second, the item was unanimously approved.

5. **PUBLIC COMMENT**

Ms. Redway asked if there were any comments from the public.

Mr. Robert Feyer of Orrick, Herrington & Sutcliffe wanted to thank staff and the Board for the legal contract discussed today. He appreciated the renewal of Orrick's contract and looks forward to many more years working with the Board.

Ms. Redway thanked Mr. Feyer and stated that the Board looked forward to working with his company.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:52 a.m.

Respectfully submitted,

Michael Paparian
Executive Director