

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 18, 2014**

1. CALL TO ORDER & ROLL CALL

Michael Paparian, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:32 a.m.

Members Present: Michael Paparian for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Eraina Ortega for Michael Cohen, Director of Finance

Staff Present: Reneé Webster-Hawkins, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Mr. Paparian asked if there were any questions or comments concerning the meeting minutes from the meeting held January 21, 2014. There were none.

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

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins shared staff development efforts that have occurred in the last month. She welcomed Krystal Perez, a student assistant who re-joined CPCFA, and stated that staff is thrilled to have her. Ms. Webster-Hawkins then noted that the previous California Capital Access Program (CalCAP) Manager, Nancee Trombley, had earned a well-deserved promotion to the Treasury Program Manager II position at the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and wished her a hearty congratulations on that promotion. Lastly, she congratulated Jillian Franzoia, who had been promoted as the new CalCAP manager.

Ms. Webster-Hawkins reported on two actions taken under her delegated authority. The first was a new contract with the law firm of Nixon Peabody in the amount of \$100,000. CPCFA is retaining the firm for specialized legal services to advise the Authority on the development and implementation of new responsibilities under Assembly Bill 850 to review rate reduction

bonds by water utilities. The firm is assisting CPCFA on a package of proposed emergency regulations that will soon be coming to the Board.

Lastly, Ms. Webster-Hawkins signed an extension of time on an existing Interagency Agreement with the Department of Toxic Substance Control (DTSC). DTSC provides technical advice to the Authority for its CalReUse remediation program.

Mr. Paparian asked if there were any questions. There were none.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE FINAL RESOLUTIONS AUTHORIZING THE ISSUANCE OF REVENUE BONDS OR NOTES AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION

1. Arakelian Enterprises, Inc. dba Athens Services

Presented by: Andrea Gonzalez, Staff Services Analyst

Staff introduced Robert Feyer of Orrick, Herrington & Sutcliffe and Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution to issue revenue notes for an amount not to exceed \$138,525,000 and a Volume Cap Allocation for an amount not to exceed \$55,000,000 to refund four Solid Waste Disposal Revenue Bonds previously issued by CPCFA, finance the acquisition of equipment for use at fifteen waste processing sites located in San Bernardino County as well as various improvements to additional sites located in Los Angeles County, and pay certain costs of issuance.

The company anticipates a private placement financing structure with the following banks, each a Qualified Institutional Buyer, and each to acquire a portion of the Notes: Wells Fargo Bank, National Association; Bank of the West; and Union Bank, National Association. The draw-down of funds is expected to be completed by approximately June 2015 or within 15 months of the Note closing on April 2, 2014, but could be done sooner or longer. An opinion of counsel confirming the validity of the notes will be issued prior to any advance.

Staff recommended approval of Final Resolution No. 531 for an amount not to exceed \$138,525,000 and Volume Cap Allocation Resolution No. 11-169-02 for an amount not to exceed \$55,000,000 for Arakelian Enterprises, Inc. dba Athens Services and/or its Affiliates.

Mr. Gordon moved approval of the item.

Mr. Paparian asked if banks were more receptive with the economy improving, as there were three banks involved in this deal.

Mr. Cone stated that the reason there is so much bank participation is because the

company is so well run and it has kept its relevant margin levels in a very good place. He explained that the company is very attractive to banks at every level. He suggested that banks are hesitant to do business with startup companies that have new, innovative technologies.

Mr. Feyer explained that the three banks involved were already backing this company and providing letters of credit to support their existing bonds and the banks are now offering to buy the bonds in their own portfolios at more attractive pricing to the company than the cost of the letter of credit. He stated that this would actually be a cheaper form of financing to the company.

Mr. Paparian asked if there were other questions or comments from the public.

Mr. Feyer stated that this was a very complicated transaction. He explained that the financing team was dealing with a number of different issues. The first issue was separating out part of the refunding bonds in order to retain tax advantages to those bonds that were originally issued in 2010 under special rules of the stimulus bill. Secondly, they were developing the mechanism to do the private placements with banks in a different interest rate mode than normal. Thirdly, they were incorporating a draw-down of the new money proceeds so that they are not all supplied up front. That would save the company money in interest costs as the company would not have to pay interest on the notes until they need to use them. They were melding all of those into the same transaction and Mr. Feyer wanted to express his thanks to the staff at CPCFA as well as to the in-house and outside counsel to the Authority and from the Attorney General's office who helped get through everything in the time frame that allowed them to go ahead with today's meeting.

Mr. Cone explained that this is the sixth financing the company will have done with this Authority in 19 years and he is confident that the company and its owners truly appreciate the assistance they've received from CPCFA over time. He stated that it has made a big difference in the company's cost of capital and allowed it, as can be seen from the numbers, to grow tremendously. He expressed a great appreciation on behalf of the company.

Mr. Paparian asked if there were any further questions or comments from the Board or public. There were none.

Upon a second, the item was unanimously approved.

2. Zerep Management Corporation

Presented by: John Weir, Associate Treasury Program Officer

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$27,570,000 to finance construction of a transfer station and

compressed natural gas fueling station in Pomona, and to purchase vehicles and equipment. The company is a small business but is not eligible for assistance from the Small Business Assistance Fund (SBAF) due to the par amount of the bond issue. Staff recommended approval of Final Resolution No. 533 and Volume Cap Allocation Resolution No. 11-169-03 for Zerep Management Corporation and/or its Affiliates.

Mr. Gordon moved approval of the item. There was a second.

Mr. Paparian asked if there were any further questions or comments from the Board or public. There were none.

The item was unanimously approved.

5. PUBLIC COMMENT

Mr. Paparian asked if there were any general comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:45 a.m.

Respectfully submitted,

Originally Signed By

Reneé Webster-Hawkins
Executive Director