

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
December 16, 2009**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:32 am.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Tom Sheehy for Michael C. Genest, 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 November 18, 2009 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian reported that Brian Gorban will be leaving for a promotional opportunity. Brian is a member of our team who has been assisting the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Brian will be working for Scholarshare promoting college savings.

Mr. Paparian reported the bond program is continuing to see an increase in activity and is expecting applications for several projects in the first couple months of 2010. In addition, with the recent discussions about water needs in the state, staff is seeing some interest in water delivery, reclamation, and desalination projects. Two such projects, in the range of \$100 million each, seem possible for the first half of 2010.

The Internal Revenue Service (IRS) is in the process of updating the regulations related to solid waste and recycling tax-exempt bonds. The regulations will clarify the types of recycling projects that qualify for tax-exempt bonds. Mr. Paparian provided comments this week to the IRS complimenting them on the changes and asking for further clarification. Staff is hopeful that the new regulations will go into effect in early or mid-2010.

Mr. Paparian reported that the CalCAP/Air Resources Board (ARB) Clean Diesel Loan Guarantee Program is continuing to work well, with more lenders signing up and increased loan activity. Staff is working with the ARB on possibly using up to \$5 million of American Recovery and Reinvestment Act of 2009 (ARRA) funds for financing off-road diesel equipment. Discussions are continuing with the US Environmental Protection Agency— the source of those funds.

Mr. Paparian stated he is required to report to the Board on contracts he signs between \$10,000 and \$300,000. He recently signed the annual rent and security contract for CPCFA with the State Treasurer's Office that amounted to \$98,389.

He is also required to report to the Board when he uses the authority granted him under the delegation resolution of last January. He recently approved items related to the Wadham Energy Project, Series 1987B and 1987C. The company requested a Remarketing Agent Substitution, replacing Morgan Stanley & Co., Inc. with Merrill Lynch (Pierce, Fenner & Smith Inc). This request was granted on December 1, 2009 utilizing the Delegation of Authority. Wadham has a 26 megawatt rice hull-to-energy facility in Colusa County.

He continued to report that the Board will be revisiting the Executive Director delegation resolution at the January meeting, before its expiration at the end of January 2010.

Mr. Paparian further reported that staff recently went through a Request for Proposal (RFP) Process for the CalCAP Trustee. Deutsche Bank will be the new CalCAP Trustee Bank.

Mr. Paparian said that the closed session noticed on the agenda will not be held.

4. BUSINESS ITEMS

A. REQUEST FOR APPROVAL OF INTERAGENCY AGREEMENT WITH THE STATE TREASURER'S OFFICE FOR SUPPORT PROVIDED BY THE STATE TREASURER'S EXECUTIVE OFFICE, ADMINISTRATION DIVISION AND INFORMATION SYSTEMS IN THE AMOUNT OF \$401,479

Presented by: Dona Yee, Analyst

Staff requested the CPCFA's approval of the fiscal year 2009/2010 Interagency Agreement with the State Treasurer's Office (STO) to provide administrative support to CPCFA in the amount of \$401,479.

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

Mr. Sheehy asked if the contract amount was more or less than the previous year.

Ms. Yee confirmed that the amount was \$3,156 more than the previous year.

Mr. Sheehy then asked if the rent was raised as well.

Mr. Paparian reported that the rent was less than the year before.

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

B. REQUEST TO APPROVE RESOLUTION AMENDING INFILL GRANT AWARD UNDER THE CALREUSE REMEDIATION PROGRAM (PROP 1C)

1) Transfer of Infill Grant from UHC LA 29, LP to WCH Affordable Housing I, LLC

Presented by Diana Michaelson, Analyst

Staff introduced Bradley Wells, Senior Vice President, UHC LA 29, LP and Diane Russell of Western Community Housing.

Staff requested approval to re-direct or transfer an Infill Grant award of \$1,183,475 from UHC LA 29, L.P. to WCH for The Crossings at 29th project. The new applicant also requested approval of an amendment to the Eligible Brownfield Infill Project Costs. In addition, staff requested correction of the formal name of the project to maintain consistency with the originally submitted Infill Application.

Ms. Redway asked if either representative had anything to add.

Mr. Bradley expressed his appreciation for support of the project. He explained that it has been a difficult financing year, and that finally this month they have been successful in arranging all the financing, the state allocated 9% tax credits. They found an investor, a lender, and both the City and County of Los Angeles as well as the Community Redevelopment Agency of Los Angeles has contributed funding. The CPCFA grant enables them to turn the contaminated industrial land adjacent to an elementary school back to a residential community. The project is a small 34-unit project. They are comfortable and positive that they will be successful and they have been approached to start the next phase. The nonprofit, Western Community Housing, Inc. is the managing general partner of the partnership but they are also responsible for providing social services, which is a huge component of these affordable housing projects.

Ms. Redway asked if by social services that means on-site amenities.

Ms. Russell responded yes, Western Community provides classes.

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

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson moved approval of the item; upon a second, the item was unanimously approved.

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

1) Pacific Coast Recycling, Inc.

Presented by Doreen Smith, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$7,130,000 for Pacific Coast Recycling, Inc. to finance the construction of a new building, site improvements and the acquisition of equipment. The company anticipates the project will provide waste diversion and environmental benefits.

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.

Ms. Holton-Hodson moved approval of the item; upon a second, the item was unanimously approved.

D. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE REFUNDING OF REVENUE BONDS

1) MarBorg Industries

Presented by Doreen Smith, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution to issue refunding revenue bonds for MarBorg Industries in an amount not to exceed \$11,755,000. The company proposed the refunding and conversion of \$11,755,000 in previously issued bonds (MarBorg Industries, Series 2004A and Series 2006A) to non-Alternative Minimum

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Tax (non-AMT) status. The company also requested replacement of the letter of credit banks with Union Bank.

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

Julia Bilaver of the Attorney General's Office brought to the Board's attention that the original staff report does not contain information about the transfer of funds from the old Indenture to the new Indenture.

Robert Feyer of Orrick, Herrington & Sutcliffe, Bond Counsel to MarBorg, explained MarBorg is refunding two series of bonds, 2004A and 2006A. The 2006A bonds still have unspent proceeds; however, the company is still in the process of building the projects that were approved by the Authority in 2006. In a refunding the unspent proceeds are transferred to the new issue. The new issue will then have about \$3.3 million to be expended on the continuing projects that were originally approved in 2006. The Authority's staff held a new TEFRA hearing that reviewed all the potential projects and resolved the same projects that the company had previously brought before the authority. This is what is listed in the resolution as being approved for further expenditure.

Mr. Sheehy asked if the \$3.3 million transferred will be expended as part of the new bond, and if the repayment terms will be the new repayment terms.

Mr. Feyer responded that he is correct; there will be a new letter of credit that supports the bonds. He pointed out that the interest rate will be lowered because of the new Federal tax law that allows the interest to be excluded from alternative minimum tax.

Ms. Redway clarified the staff report was not entirely clear but that Mr. Feyer has now clearly described the issue.

Mr. Feyer confirmed the exhibit to the resolution clearly states that a portion of the unspent proceeds will be used to finance the project.

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

Ms. Redway asked if there was a motion.

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

**E. REQUEST TO APPROVE FINAL AND REFUNDING RESOLUTION
AUTHORIZING THE REFUNDING OF REVENUE BONDS AND THE
ISSUANCE OF REVENUE BONDS AND TO APPROVE TAX-EXEMPT BOND
VOLUME CAP ALLOCATION**

1) Garden City Sanitation, Inc.,
Presented by Samantha Russell, Analyst

Staff introduced Mark Homstedt of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution and tax exempt bond volume cap allocation for Garden City Sanitation, Inc. to issue revenue bonds for an amount not to exceed \$44,460,000 to:

- (1) finance the acquisition of land, the acquisition, construction and renovation of a building and the acquisition of equipment and drop boxes, bins, carts and containers (collectively, the “Livermore Project”)
- (2) refund the CPCFA’s Variable Rate Demand Solid Waste Disposal Revenue Bonds (Garden City Sanitation, Inc. Project) Series 2007A, \$17,515,000 of which are currently outstanding (the “Prior Bonds”), and
- (3) pay certain costs of issuance.

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

Ms. Holton-Hodson asked how much was going to be saved in the refunding.

Mr. Holmstedt responded the refunding is being done for the same tax purposes discussed earlier in the meeting. This project will save about 20 basis points per year on average.

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

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson 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. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:54 a.m.

Respectfully submitted,

Michael Paparian
Executive Director