

MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
May 26, 2010

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:56 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, 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 April 28, 2010 and April 29, 2010 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian said that Sherri Wahl is joining him at the Board table. Ms. Wahl is now serving as the Acting Deputy Director of CPCFA, the California Industrial Development Financing Advisory Commission (CIDFAC), the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and the California Urban Waterfront Area and Restoration Financing Authority. Mr. Paparian reported that in addition to CPCFA, staff assists CIDFAC and CAEATFA. In recent weeks a number of the staff has been assisting with the rapid expansion of CAEATFA. At the same time, there has been an increase in activity in the three active programs under CPCFA – the California Capital Access Program (CalCAP), the California Recycle Underutilized Sites (CALReUSE) Assessment Program and the Bond Program.

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Mr. Paparian said that one person who works behind the scenes on all of the programs and has been a tremendous help in meeting the challenges of the past few weeks is Dona Yee. Ms. Yee is responsible for the CPCFA end of contracting and interagency agreements (IAs), handling the bill payments and a variety of other responsibilities. Between CAEATFA and CPCFA, staff has worked on more contracts and IAs in the last two months than is typically done in a 2-3 year period. Dona has been key in keeping the Request for Proposals, Request for Offers and IAs moving along at a rapid pace, while assuring that integrity is maintained in the process.

Mr. Paparian reported that, as he mentioned last month, staff is pursuing a contract for an audit of CalCAP. Bids are due at the close of business May 26, 2010.

He said that staff is in the process of working on another IA with the Air Resources Board (ARB). This agreement will use \$5 million in recently granted American Recovery and Reinvestment Act (ARRA) funds to assist with upgrades to off-road diesel equipment. The agreement is expected to be presented to the Board for approval soon.

Staff is continuing to work with the California Energy Commission (CEC) on a possible agreement to use CalCAP to assist energy related businesses using AB 118 funds.

Mr. Paparian reported that one of the most intriguing future possibilities for CalCAP is a proposal pending in Congress to infuse state capital access programs with funds to stimulate small business lending. If this program moves forward, as much as \$100 million could come to CalCAP. That money would leverage up to \$2.5 billion in loans over a two year period. If that comes about, the program would have twice as many loans in a two year period than there has been in the 17 year history of CalCAP.

The existing CalCAP programs have been taking off as well. Thanks to the ARB Clean Diesel Truck Loan Program, the month of May has been the busiest ever for CalCAP.

The ARB Clean Diesel Truck Loan Program started up in the summer of 2009. As staff worked to enroll lenders, they realized a need to reach out to a broader pool of lenders. In November 2009, new legislation was enacted, allowing the program to work with truck financing companies. Staff has been able to work with more lenders and to adapt the program to meet the needs of truckers seeking new trucks.

In the first three quarters of the program, through March 2010, staff enrolled 28 truck loans for a total of 57 trucks into the program. Staff was able to leverage over \$4.6 million in lending. By the end of April 2010, staff enrolled 11 more loans and 16 more trucks in the program; bringing the total to 39 borrowers benefitting from the program. Since May 1, 2010 staff has enrolled 128 new loans and 139 more trucks into the program.

The ARB Clean Diesel Truck Loan Program has now helped replace 212 trucks in California with newer cleaner trucks. Staff has leveraged \$12 million in truck loans and the program has helped 167 small businesses buy new or newer trucks. One of the lenders has sold five

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natural gas fueled trucks with help from the Program. When the lender enrolled in the program, they were able to go back and review all the recent loans they had turned down and qualify borrowers for loans who had previously been turned down. Staff is excited about the progress that has been made in the ARB Clean Diesel Truck Loan Program.

Mr. Paparian reported CPCFA's other programs are doing well. This month the Board will review the first request for bond issuance for one of the water companies that CPCFA is trying to assist with less expensive financing. Staff took a trip to the San Jose Water Company to get a firsthand look at the types of facilities CPCFA will be helping to finance. Mr. Paparian stated he now has a new respect for the challenges involved in collecting, storing, treating and delivering safe clean water to California residents. He is hopeful CPCFA will be assisting more water projects in the future.

Mr. Paparian said that he is required to report to the Board when he takes actions under his delegated authority. In the past month, he approved a request from Waste Management to convert its 1998 A and B bonds to a fixed rate term. Staff consulted with the Attorney General's (AG) Office regarding this and the AG's Office saw no issue with this action.

Ms. Redway asked, on average how much is being financed per truck.

Mr. Paparian responded \$20-\$110 thousand per truck. The amount depends on whether the truck is new or used. Sometimes it depends on how much of the down payment and other incentives the borrower can put into the deal. Some of the grants they can get for cleaner trucks help subsidize the down payment on the truck. The program is also able to finance retro-fits. There has only been one retro-fit financed so far, but that is expected to increase. The retro-fit loans are in the \$10 thousand range.

Ms. Holton-Hodson asked how and who is getting the word out.

Mr. Paparian responded that staff has worked with some of the trade associations to spread the word through their publications. ARB has a toll free number at 866-6DIESEL that receives a lot of activity from truckers who are confused about what needs to be done to meet new regulations. They are then referred to CalCAP lenders, who then identify truckers who do not meet normal lending requirements and refer the truckers to the ARB Clean Diesel Truck Loan Program.

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

4. BUSINESS ITEMS

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

Presented by: Patricia Tanous, 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.

AB 1479, chaptered August 4, 2008, allows that, "The authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority."

During the April 28, 2010 Board meeting, members of the Board requested to have Section 15 changed from ". . . shall seek and rely upon a formal or informal opinion from the Attorney General's Office to confirm compliance with one or more of the provisions of this Resolution." to ". . . may seek and rely . . ." This change is proposed to mirror the recent CAEATFA resolution that was adopted in April 2010. CPCFA has been incurring non-reimbursable attorney costs on matters that have been deemed appropriate to be handled by the Executive Director or Deputy Executive Director. When issues arise that are questionable, staff will continue to consult with the Attorney General's Office for guidance and will continue to report all actions to the Board.

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.

B. CONSIDERATION AND APPROVAL OF EARLY READOPTION OF EMERGENCY REGULATIONS, WITH CHANGES, AND PERMANENT RULEMAKING PROCESS FOR THE CALIFORNIA CAPITAL ACCESS (CalCAP) PROGRAM

Presented by: Kamika McGill, Analyst

Staff requested Board approval of early readoption of the existing CalCAP emergency regulations with additional changes. Upon Board approval, and by recommendation from legal counsel at the Office of Administrative Law, staff will proceed with combining the previously filed emergency and the newest amendments to file early readoption of the emergency regulations.

In November 2009, the Board granted approval to amend and file emergency regulations to clarify processes and improve the CalCAP Program. The modifications to the Regulations included: updating the definition of "Qualified Loan"; adding Pre-Qualification time limits; elimination of the Notification of Change form; limiting loan

enrollment to ten years; conform CalCAP Regulations to its statute concerning the amount of interest the Authority can sweep from each lender's loss reserve account; and limit reimbursements on claims.

After further review and analysis of the existing emergency regulations, staff recommended additional amendments, including: modification to definition of a "Qualified Loan"; inclusion of references to federal bank safety and soundness standards; clarification on combining previously enrolled loans, and further clarification to the limit of reimbursements on claims.

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

C. AMENDMENTS TO MODIFY INFILL GRANT AWARD UNDER THE CALReUSE REMEDIATION PROGRAM (PROP 1C)

1) Community Housing Development Corporation of North Richmond

Presented by: Diana Michaelson, Analyst

Community Housing Development Corporation of North Richmond, the original applicant and awardee, and Lillie Mae Jones Plaza, L.P., requested approval to re-direct or transfer an Infill Grant award of \$284,589 from CHDC to Lillie Mae Jones Plaza, L.P. for the Lillie Mae Jones Plaza Project. Staff also requested approval of an amendment to the affordability mix of the Infill Development Project.

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

Ms. Holton-Hodson asked why the project could not sustain the original affordability.

Ms. Michaelson answered the awardee is decreasing by one the number of two bedroom units that are restricted to 30% Area Median Income (AMI), and increasing by one the number of two bedroom units restricted to 45% AMI. This move from the 30% restriction to the 45% will help to insure the project stays in the black with regard to the rent.

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.

Ms. Bryant 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) Fallen Leaf Tree Service Incorporated
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 \$4,200,000 to finance acquisition of land for fleet housing and maintenance, the construction of a green waste processing facility, the acquisition of green waste processing equipment and the acquisition of rolling stock and vehicles for the collection, processing and transfer of solid waste and other related equipment.

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.

E. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REVENUE BONDS AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION

- 1) San Jose Water Company
Presented by: Doreen Smith, Analyst

Staff introduced Angela Yip and Veronica Hsieh of San Jose Water Company and Leslie Lava, Bond Counsel.

Staff requested approval of a Final Resolution for an amount not to exceed \$50,000,000 to finance improvements to the company's water supply system structures and facilities, distribution system and the acquisition of equipment. The company provides services in Santa Clara County. The company anticipates that the project will provide improvement in water quality and recycling 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.

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 11:16 a.m.

Respectfully submitted,

Michael Paparian
Executive Director