

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
April 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 10:31 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 March 20, 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 stated that there was a short agenda; therefore, he would like to take this opportunity to give a slightly longer report. In addition to his normal updates, Mr. Paparian covered the 2011 Annual Report for the Bond Program, the use of federal funds in the California Capital Access Program (CalCAP) and an update on the Poseidon Desalination Project.

Mr. Paparian mentioned the good work done by Diana Michaelson who is the lead analyst in the California Recycle Underutilized Sites (CALReUSE) Program. Ms. Michaelson has been working closely with her manager, Jason Bradley, to continually improve the program, be more responsive to users of the program and assure that CALReUSE is meeting its legal and regulatory requirements. Mr. Paparian further stated that in addition to Diana's great work

Agenda Item 2.

with CPCFA, she has varied outside interests and recently spent several weeks helping build a new school among other projects.

As Mr. Paparian discussed last month, staff has submitted an amendment to the U.S. Treasury in order to establish some additional uses of the \$84 million awarded to CalCAP last year. The new uses of the funds include a Collateral Support Program for qualified small businesses, and a Loan Participation Program to encourage lending for energy efficiency improvements in commercial buildings.

Staff has responded to several requests from the U.S. Treasury for additional background and it is currently reviewing staff's proposal. Mr. Paparian stated that while the U.S. Treasury is reviewing the request, staff is taking steps to ensure that CalCAP can launch the new efforts soon after staff gets the go-ahead from Treasury.

Mr. Paparian further added that staff is developing needed regulation changes for the Collateral Support Program. Staff expects to bring these changes to the Board at the May meeting for adoption. At that time, Mr. Paparian will also provide a suggested framework on how the Collateral Support Program is going to work.

Mr. Paparian reported that the Loan Participation Program will involve issuing a Request for Proposal (RFP) for lender participation. The program is expected to provide up to 20% of the loan value for lending for commercial energy retrofits. The loans would be relatively short term and would ultimately be taken out by a longer term bond. Mr. Paparian stated that he would provide more details at an upcoming CPCFA Board meeting before sending out an RFP.

CPCFA issued the Annual Report for the Bond Program at the end of March. The other Annual Reports for the CalCAP, CALReUSE and Sustainable Communities Grant & Loan Program (SCGL) programs will come out over the next few months.

Mr. Paparian stated that 2011 was a relatively slow year for bond issuances for CPCFA. CPCFA issued five bonds totaling about \$73.5 million. Mr. Paparian further stated that this compares to fourteen companies benefiting from over \$560 million in bonds in 2010, and four companies benefiting from approximately \$297 million in bonds in 2009.

Mr. Paparian reported that in the Bond Program Annual Report staff highlighted a local Sacramento area company that benefitted from CPCFA bonds in 2011. Recycling Industries financed building and related equipment for a large expansion in its recycling operations. With the bond financing, Recycling Industries was able to hire over 30 new employees.

Although CPCFA has gotten off to a slow start in 2012, staff believes bond issuances will increase soon. Mr. Paparian stated that staff has a number of projects they have been working with that have delayed bond issuances due to economic circumstances. As the California economy improves, staff expects projects to come forward and request bond financing.

Mr. Paparian reported that one of the projects staff expects to bring before the CPCFA Board

Agenda Item 2.

later this year is the desalination facility in Carlsbad.

The San Diego County Water Authority (SDCWA) is continuing to work on the project details with the project sponsor, Poseidon. Mr. Paparian stated that the project proponents are expecting to have two related bonds, a governmental purpose bond to be issued on behalf of the SDCWA and a private activity bond to be issued on behalf of Poseidon. Both bonds are expected to come through CPCFA in an amount close to \$750 million.

The SDCWA is holding a public workshop on April 19, 2012, to review details of the project. Doreen Smith, program manager, will be attending the workshop for CPCFA.

Mr. Paparian reported that the SDCWA is working out details of the key contract, the Water Purchase Agreement. The SDCWA expects to release the Water Purchase Agreement for public review soon. The SDCWA also expects to consider the agreement in June or July and then to come to CPCFA and request bond issuance in late summer.

Last month Mr. Gordon requested that staff get additional information from the State Water Resources Control Board (SWRCB) about whether its actions might affect the desalination project.

Mr. Paparian stated that staff contacted the SWRCB and found out the previously adopted once-through-cooling policy does not apply to desalination facilities. The SWRCB has convened groups to discuss mitigation on the impact of desalination facilities in a separate but related effort. As Mr. Paparian understands it, these can include impacts from the intake of sea water, temperature and salinity issues associated with water discharges. In addition, there are discussions regarding appropriate mitigation strategies.

Mr. Paparian reported that the SWRCB representatives told staff that it would not consider any recommendations before early 2013. Any resulting regulations would have to go through the state regulatory process and possibly need approval from the U.S. Environmental Protection Agency (EPA). The SWRCB also stated that any amendments would likely be implemented through individual National Pollutant Discharge Elimination System (NPDES) permits. The SWRCB also mentioned there may be a California Environmental Quality Act (CEQA) process involved.

Mr. Paparian stated that when staff asked whether new standards would have an impact on the Poseidon project, staff was told that Poseidon already has a permit and staff should look at that permit. Staff asked project proponents about whether they believed the new actions of the SWRCB would have an impact on the project and staff was told that the project proponents believe there will be no substantive impact. The project proponents further stated that they believe the project, as currently envisioned, is well within the requirements being suggested by experts consulted by the SWRCB.

4. BUSINESS ITEMS

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

1) California Waste Recovery Systems, LLC

Presented by: Deanna Hamelin, ATPO

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$5,000,000 to finance improvements to an existing building and Materials Recovery Facility (MRF) and to purchase related collection and processing equipment. The project will provide waste diversion, air quality, and recycling benefits.

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.

Mr. Reyes 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 10:40 a.m.

Respectfully submitted,

Michael Paparian
Executive Director