

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
801 Capitol Mall, Room 150  
Sacramento, California  
October 15, 2019**

**1. CALL TO ORDER AND ROLL CALL**

Jovan Agee, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:32 a.m.

Members Present: Jovan Agee for Fiona Ma, CPA, State Treasurer  
Anne Baker for Betty T. Yee, State Controller  
Gayle Miller for Keely Martin Bosler, Director, Department of Finance  
Ken Rider for David Hochschild, Chair, California Energy Commission  
Rohimah Moly for Marybel Batjer, President, Public Utilities Commission

Staff Present: Jennifer Gill, Senior Core Programs Manager

Quorum: The Chairperson declared a quorum.

**2. MINUTES**

Mr. Agee asked if there were any questions or comments concerning the September 9, 2019, meeting minutes. There were none.

Mr. Agee asked if there was a motion.

Ms. Baker moved for approval of the minutes; upon a second from Mr. Rider, the minutes were approved.

Gayle Miller, representative for the Director of Finance, arrived at 10:52 a.m. and asked that the minutes be recalled so that she may vote. She voted in the affirmative.

The item was then passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

### **3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Gill stated that she would be presenting the Executive Director's Report today, as Ms. Carrillo was participating in an innovation lab on green financing in Santa Monica as a precursor to tomorrow's Green Bond Conference, in which the Treasurer would be collaborating with the Milken Institute.

Ms. Gill reported that under the Executive Director's delegated authority, no actions were taken.

Ms. Gill then reported on CAEATFA's programs. She stated that October 4<sup>th</sup> was national Energy Efficiency Day, for which the Treasurer was able to formally announce the launch of the Affordable Multifamily Energy Efficiency Program and Small Business Energy Efficiency Program ("Small Business Program") Pilots under the California Hub for Energy Efficiency Financing ("CHEEF"). Also under the CHEEF, Ms. Gill stated that on October 9<sup>th</sup>, CAEATFA hosted a webinar to provide an update on the Small Business Program, in which over 60 attendees participated, with representatives from various small businesses, implementers, and policy advocates. Staff has begun its formal outreach to contractors, and the consumer-facing website is up at [gogreenfinancing.com](http://gogreenfinancing.com).

Under legislative updates, Ms. Gill stated that Assembly Bill 1583 was signed by the Governor, extending the Sales and Use Tax Exclusion ("STE") Program for five years until January 1, 2026. Staff continues to work on potential regulatory improvements for the STE Program. Specific to the regulatory efforts under the STE Program, CAEATFA held a public comment period until September 20<sup>th</sup> after the September 9<sup>th</sup> Board meeting. Upon reviewing the comments received, Staff will be suggesting some incremental modifications and an adjustment to the Program's competitive criteria. Draft regulations will be discussed at a public workshop to be held on October 22<sup>nd</sup>, and Staff will be making the draft regulation text available to the public prior to the workshop. Staff anticipates bringing regulations before the Board for consideration at the November Board meeting, and to begin accepting new applications under the modified regulations in December for Board consideration in February. This is a tentative timeframe as Staff navigates issues raised in the public comment process.

Ms. Gill then concluded her report.

Mr. Agee congratulated Staff on the extension of the STE Program's sunset date and stated that he hopes the extension might help to spur additional confidence in California's manufacturing sector.

### **4. BUSINESS ITEMS**

#### **A. DISCUSSION AND CONSIDERATION OF APPLICANT'S REQUEST TO EXTEND THE TERM OF THE MASTER REGULATORY AGREEMENT OF STE AWARD**

- 1) MSB Investors, LLC  
Presented by Matthew Parsons, Analyst

Staff introduced Trevor Leiphardt, Project Manager, MSB Investors, LLC, who joined by telephone.

Mr. Parsons reported that MSB Investors, LLC (“MSB” or the “Applicant”) was approved for a sales and use tax exclusion on May 20, 2014, for the purchase of \$17,696,003 in Qualified Property for the construction of a dry fermentation anaerobic digestion facility and a materials recovery facility (the “Project”).

On May 16, 2017, the CAEATFA Board approved MSB for a two-year-and-five-month extension of the initial term of the Master Regulatory Agreement (“Agreement”) because the Project experienced a prolonged California Environmental Quality Act analysis and permitting process by MSB’s Project partner, Santa Barbara County.

As of August 31, 2019, MSB has used its award to purchase \$7,933,131 of Qualified Property (45% of the total Qualified Property approved). The Applicant is requesting an additional extension of the Agreement initial term by one year and seven months to accommodate additional unforeseen Environmental Impact Report litigation and prolonged permitting of the Project by Santa Barbara County. MSB states that, with permitting issues complete, it reached financial close in November 2018 and has resumed purchasing construction materials and equipment. Commercial operation of the materials recovery facility is now scheduled for June 2020, with the anaerobic digestion facility going online shortly thereafter.

Based on this information, Staff recommended that the Board approve MSB Investors, LLC’s request to extend the initial term of the Master Regulatory Agreement by one year and seven months to May 17, 2021 to purchase \$17,696,003 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$1,490,003.

Ms. Baker moved for approval and there was a second by Mr. Rider.

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

2) Waste Management of Alameda County, Inc.  
Presented by Xee Moua, Analyst

Staff introduced Shawn Tackitt, Field Director for Recycling Operations, Waste Management of Alameda County, Inc.; Tianna Nourot, Senior Manager, Environmental Protection, Waste Management of Alameda County, Inc.; Sheri Hummel, Area Director of

Safety, Waste Management of Alameda County, Inc.; and Jason Bohn, Senior Legal Counsel, Waste Management of Alameda County, Inc.; all of whom joined by telephone.

Ms. Moua reported that in October 2016, the CAEATFA Board approved a sales and use tax exclusion for Waste Management of Alameda County, Inc. (“WMAC” or the “Applicant”) for the purchase of up to approximately \$77.2 million in Qualified Property to build a new state-of-the-art Organics Material Recovery Facility and Organics Material Composting Facility in Alameda County (the “Project”). As of June 30, 2019, the Applicant has used its award to purchase approximately \$34.4 million of Qualified Property. WMAC is requesting to extend the initial term of the Master Regulatory Agreement to accommodate unforeseen circumstances that prolonged the Project’s design, permitting, and construction activities. The Applicant states that it has now completed the design and permitting stages, and anticipates that it will have construction completed in July 2020, and all equipment invoices processed by December 2020.

Staff recommended that the Board approve Waste Management of Alameda County, Inc.’s request to extend the initial term of the Master Regulatory Agreement by one year, two months, and 13 days to December 31, 2020 as it is in the public interest and advances the purpose of the Program.

Ms. Baker moved for approval and there was a second by Ms. Moly.

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

3) Mid Valley Disposal  
Presented by Matthew Parsons, Analyst

Staff introduced Joe Heisdorf, Chief Financial Officer, Mid Valley Disposal, who joined by telephone.

Mr. Parsons reported that in October of 2016, the CAEATFA Board approved a sales and use tax exclusion for Mid Valley Disposal (“MVD” or the “Applicant”) for the purchase of \$3,739,543 in Qualified Property to build a new 60,000-ton organic materials composting facility (the “Project”). According to MVD, construction of the bunkers and site improvements were completed in April of 2017 and operations began shortly thereafter. Through August 31, 2019, MVD has reported \$2,701,648.25 in Qualified Property purchases (approximately 72% of the total Qualified Property amount approved). According to the Applicant, the Project was expected to reach full capacity by the second

quarter of 2019; however, growth has slowed due to delays in the implementation of Assembly Bill 1826 (“AB 1826”), which requires local businesses that generate a specific amount of organic waste to arrange for recycling services according to a tiered implementation schedule. Because of this, MVD is requesting to extend the initial term of the Master Regulatory Agreement by one year to accommodate Project timeline delays. The Applicant states the remaining \$1,037,895 will be used to purchase a new grinder. Once the system reaches capacity, MVD intends to purchase a new grinder, which will be necessary to achieve required throughput for the system. With continued implementation of AB 1826, the Applicant anticipates increased volumes of feedstock in the near future.

Based on the information provided, Staff recommended that the Board approve Mid Valley Disposal’s request to extend the initial term of the Master Regulatory Agreement by one year to October 18, 2020 to purchase \$3,739,543 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$314,870.

Ms. Baker moved for approval and there was a second by Ms. Moly.

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Rider asked why this Applicant only asked for a one-year extension. Mr. Parsons replied that MVD is nearing the end of its Project, and anticipates needing one year to complete Qualified Property purchases.

There were no further comments and Mr. Agee called for a vote.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

## **B. REQUEST APPROVAL OF 2020 MEETING CALENDAR**

Presented by Jessica Arceo, Contracts Analyst

Staff requested approval of the proposed 2020 meeting schedule presented below for the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).

Month	Day	Time	Date
January	Tuesday	10:30 a.m.	01/21/2020
February	Tuesday	10:30 a.m.	02/18/2020
March	Tuesday	10:30 a.m.	03/17/2020
April	Tuesday	10:30 a.m.	04/21/2020
May	Tuesday	10:30 a.m.	05/19/2020
June	Tuesday	10:30 a.m.	06/16/2020
July	Tuesday	10:30 a.m.	07/21/2020
August	Tuesday	10:30 a.m.	08/18/2020
September	Tuesday	10:30 a.m.	09/15/2020
October	Tuesday	10:30 a.m.	10/20/2020
November	Tuesday	10:30 a.m.	11/17/2020
December	Tuesday	10:30 a.m.	12/15/2020

Staff recommended approval of the above proposed meeting schedule for calendar year 2020.

Ms. Baker moved for approval and there was a second by Mr. Rider.

Mr. Agee stated there was a motion and a second and asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

**C. REPORT FROM FARADAY&FUTURE INC. ON STATUS OF PROJECT PURSUANT TO RESOLUTION NUMBER 18-SM008 (INFORMATIONAL ITEM)**

Staff introduced John Lehn, Director of Government Affairs, Faraday&Future Inc.; Alex Tran, CPA, Managing Partner (Consultant), California Incentives Group; and Leslie McBride, Director (Consultant), California Incentives Group.

On April 17, 2018, the CAEATFA Board approved Resolution No.18-SM008 granting a sales and use tax exclusion award for Faraday&Future Inc.’s (“Faraday”) purchase of up to \$239,234,449 in Qualified Property to upgrade its existing facilities in Compton and Gardena to facilitate research, design, and prototype testing of its first high-performance electric vehicle, the FF91, and construct a facility in Hanford that will manufacture its electric vehicles (the “Project”). The resolution requires that Faraday update the CAEATFA Board in writing and in person every six months for up to three years with regard to the following:

1. Any significant developments in the status of the Project;
2. Progress in meeting its production goals; and
3. Any other matters the Executive Director shall deem appropriate.

Faraday attended the CAEATFA Board meeting on October 17, 2018 as required and provided its first report. Faraday reported that it was experiencing challenges involving financing for the Project and would provide further updates to its progress during the February reporting period.

Due in part to the non-standard mandated reporting, an increase in CAEATFA Staff workload coupled with reduced staffing resources, and adjustment to the new requirements, Faraday did not report in February as required, but instead gave its second report at the May 21, 2019 Board meeting.

To date, Faraday has reported \$156,352,277.01 in Qualified Property purchases (65% of the total Qualified Property amount approved).

For its third report, Faraday submitted the required written report on August 20, 2019 in anticipation of the September Board meeting; however, the in-person report was postponed until the October Board meeting to focus the September Board meeting discussion on the potential modifications to the Sales and Use Tax Exclusion Program.

Mr. Lehn reported that multiple pre-production vehicles are being tested for safety and functionality. He also stated that Faraday is preparing for its full-production phase, which it will commence as soon as funding comes through, and that the company's current target is to deliver the first customer car in September 2020. Mr. Lehn added that the FF91 will not be built like a typical car on an automated production line, rather, because of the high-end nature of this particular model, the car will largely be manufactured by hand.

Mr. Lehn also reported that the FF91 was featured on a History Channel special, where it was compared to the futuristic KITT vehicle from the 1980s television show, Knight Rider, and that David Hasselhoff, the star of the show, expressed that the FF91 captured most what KITT represented as a real vehicle. He stated that this was a tremendous compliment to Faraday's work, and this endorsement will help to get more public awareness. Ms. Baker asked that the Board members be sent an excerpt from the History Channel show detailing the similarities between the vehicles.

Mr. Lehn continued by reporting that Faraday anticipates beginning the buildout of its Hanford production facility as soon as funding comes through, and that it expects to fully utilize its STE award. He stated that Faraday anticipates being in full production for the first two vehicles, the FF91 and FF81, within 12 months from the time it receives funding. He added that the FF91 will be the company's flagship, brand-establishing vehicle, and will be targeted toward the luxury market. Mr. Lehn continued by stating that Faraday anticipates hiring approximately 100 new employees to work at the Hanford facility within the first year of production, in addition to the approximately 300 workers the company currently employs.

Mr. Lehn then reported that Faraday has a new Chief Executive Officer, Carsten Breitfeld, who has a significant amount of experience in automotive design and manufacturing, and was the architect of the BMW i8 plugin hybrid vehicle. He stated that Mr. Breitfeld helped to pare down the expectation for the amount of initial capital raise required prior to the company's

initial public offering (IPO) by a little over a third, from about \$1.2 billion to approximately \$850 million.

Mr. Lehn then stated that the company's founder, Jia Yueting, has recently filed for personal bankruptcy, but that his personal financial situation does not have a direct connection to Faraday. He stated that the most direct relation between the bankruptcy and Faraday is that Mr. Jia's stock in Faraday's parent company will be put into a trust to address his debts in China.

Mr. Rider stated Faraday had used approximately 65% of its award to date, and asked what that spending represents at the Hanford facility. Mr. Lehn replied that the Hanford production plant is approximately one million square feet, and that about 140,000 of that is completely built out, and is where the first production and test models were built. He continued by stating that the rest of the facility is ready to be outfitted, with much of the equipment already onsite, but needing installation or assembly, including an entire two-job-per-hour paint shop.

Ms. Moly asked what the retail price of the FF91 would be. Mr. Lehn stated that the price has not yet been publicly announced, but the media has speculated that the price of the vehicle will be between \$150,000 and \$180,000, with some estimates being higher. Mr. Lehn added that the high price of the FF91 is largely due to its high quality and exceptional craftsmanship.

Ms. Moly asked if Faraday planned to use all of its sales and use tax exclusion by the end of the agreement term. Mr. Lehn stated that the current expectation is for the entirety of the exclusion to be used soon, and that the company should be in production by its next required report.

## **5. PUBLIC COMMENT**

Mr. Agee asked if there were any comments from the public and there were none.

## **6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 11:07 a.m.

**Respectfully submitted,**

Jennifer Gill  
Senior Core Programs Manager