

## MINUTES

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
March 20, 2007**

### 1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:00 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Cindy Aronberg for John Chiang, State Controller  
Thomas Sheehy for Michael C. Genest, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director  
Eileen Marxen, Deputy Executive Director

Quorum: The Chairperson declared a quorum

### 2. MINUTES

The minutes for the February 6, 2007 meeting were adopted as submitted.

### 3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEMS)

Michael Paparian reported that the Sustainable Communities Grant and Loan Program (SCGL) has been authorized to spend \$2.5 million on grants and loans for planning alternative transportation studies, engineering studies, public projects and other projects to promote sustainable development principles in local communities. Mr. Paparian stated that CPCFA is in the process of completing the grant and loan application and expects to have an application deadline around the beginning of summer with application review during the summer; recommendations to the Board in the early Fall; and the award of grants and loans before the end of this year. Mr. Paparian added that staff will give updates to the Board Members on the SCGL application process.

Mr. Paparian also reported that the 2006 Legislative Annual Reports for the CPCFA Bond Program, CalCAP, SCGL, and CALReUSE are close to completion and that the reports will be mailed out to the Legislature in the next few weeks.

Mr. Paparian stated that effective April 1, 2007 Bakersfield and Berkeley would be joining the existing CALReUSE partners—San Diego, Oakland, Emeryville and CALReUSE's statewide partner Center for Creative Land Recycling (CCLR). He also stated that CPCFA staff is having preliminary discussions on possible changes to the bond application process, which includes the application deadline, the legal questionnaire, environmental questions related to climate change, and discussions with stakeholders on whether to have a shorter initial resolution application.

Mr. Paparian noted to the Board Members that CPCFA and CIDFAC staff would be working hard in completing numerous bond closings in April and May. He added that he appreciates the understanding from bond applicants that CPCFA will be diligent in moving through the process as expeditiously as possible.

Mr. Paparian also noted to the Board Members that in complying with the resolution to report to the Authority execution of CPCFA contracts over \$10,000, he had extended the contract with LEXIS/NEXIS for an increase of \$5,200 to cover an extra 16 months, which brings the total contract since its inception to \$13,200.

#### **4. BUSINESS ITEMS**

##### **A. APPROVAL OF 2007 MEETING CALENDAR**

Staff recommended approval of the proposed meeting schedule for calendar year 2007.

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

##### **B. REQUEST TO APPROVE INITIAL RESOLUTIONS AUTHORIZING THE ISSUANCE OF REVENUE BONDS**

- 1) Solid Wastes of Willits, Inc. and/or its Affiliates** requested approval of Initial Resolution No. 07-03 for an amount not to exceed \$2,485,000 to finance site improvements and equipment purchases for unincorporated areas of Mendocino County, the Brooktrails Township Community Services District and the City of Willits. Staff report presented by Aaron Todd.

Bettina Redway asked for any questions from the Board or public comments.

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

- 2) Northern Recycling & Waste Services LLC and/or its Affiliates** requested approval of Initial Resolution No. 07-04 for an amount not to exceed \$10,315,000 to finance site improvements and equipment purchases. The Company provides waste collection services and was formed to service new contracts in the Cities of Napa and Paradise. Staff report presented by Michael Smith.

Bettina Redway asked for any questions from the Board or public comments.

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

##### **C. REQUEST TO APPROVE FINAL RESOLUTIONS AUTHORIZING THE ISSUANCE OF REVENUE BONDS**

- 1) CR&R Incorporated and/or its Affiliates** requested approval of Final Resolution No. 467 for an amount not to exceed \$34,615,000 to finance site improvements and

equipment purchases located within Los Angeles, Orange, Riverside, and San Bernardino Counties.

At the February 6, 2007 Authority meeting, CPCFA staff reported significant changes in the allocation of the Company's 2006 bond funds for the Project. The Authority approved a conditional Initial Resolution with the stipulation that CR&R provide certain documentation before proceeding with a Final Resolution. CPCFA staff reported receiving and reviewing the requested documentation. Staff report presented by Aaron Todd.

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

Paul Relis, Senior Vice President of CR&R, stated that CR&R will be using "green building" techniques for the construction of its material recovery facility (MRF). They are working with the U.S. Green Building Council and plan to achieve LEED (Leadership in Energy and Environmental Design) certification.

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

- 2) **GreenWaste Recovery, Inc. and/or its Affiliates** requested approval of Final Resolution No. 461 for an amount not to exceed \$38,305,000 to finance: (i) the purchase of land, construction of a building and development of purchased land for a vehicle maintenance facility, expansion of the Company's existing MRF, and the purchase of collection vehicles, containers and other equipment in San Jose; and (ii) the purchase of collection vehicles, equipment, rolling stock and containers located in Watsonville to service the Santa Cruz County contract. Staff report presented by Deana Carrillo.

Bettina Redway asked if there were any questions from the Board.

Thomas Sheehy asked how staff calculated the \$383,000 contribution to the Small Business Assistance Fund.

Eileen Marxen responded that the Small Business Assistance Fund (SBAF) was established to receive contributions from large businesses and that the intent was that the smaller transactions receive the benefit of SBAF. Ms. Marxen also stated that the calculation is up to one percent of the bond amount and that the bond and tax lawyers usually work out the final amount of the fee, which is sometimes less than the one percent because of tax restrictions.

Bettina Redway asked if there were any comments from the public.

Tony Cone, Westhoff, Cone & Holmstedt, stated that GreenWaste Recovery is one of seven companies that have come to the Board as a small business but has now grown into a large business and, having received SBAF over the years, is now paying into it.

Bettina Redway congratulated the company on its major growth.

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

**D. REQUEST TO APPROVE FINAL RESOLUTIONS AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND CORRESPONDING RESOLUTIONS AUTHORIZING SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE**

- 1) **The Ratto Group of Companies, Inc. and/or its Affiliates** requested approval of (i) Final Resolution No. 466 for an amount not to exceed \$42,600,000 to finance vehicle and equipment purchases, land and building acquisition and the renovation of an existing building in the City of Santa Rosa in Sonoma County; and (ii) a SBAF Resolution in an amount not to exceed \$250,000.

The land purchase took place in the first quarter of 2007 by one of the Company's affiliates, Predawn Investments LLC. Upon receipt of the bond proceeds, an internal fund transfer will take place to reimburse Predawn Investments for the purchase of the land. Staff report presented by Deana Carrillo.

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

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

- 2) **CalAg, LLC, CalPlant I, LP and/or their Affiliates** requested approval of (i) Final Resolution No. 464 for an amount not to exceed \$175,000,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF) in Glenn County; and (ii) a SBAF Resolution in an amount not to exceed \$250,000.

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

Cindy Aronberg asked that if this process were not used, would all the rice straw be tilled into the soil.

Jerry Uhland, President of CalAg, responded that all the rice straw was burned after the annual harvest prior to the California Air Resources Board prohibiting the burning of rice straw. As a rice producer for 20 years, he knew this was an ongoing problem that would cause a potential rise in cost for rice in California. He also stated that the company explored and researched ideas early in 1996 and developed this process for making MDF. Currently, rice straw is plowed over a number of processes in order to incorporate it into the soil and re-flood the fields to accelerate the rotting process. Mr. Uhland added that the company's project

would eliminate the need to annually flood approximately 125 thousand acres of rice straw.

Cindy Aronberg asked what type of building materials waste rice straw replaces. Mr. Uhland responded that it would replace anything that wood-based MDF is used in, such as laminate flooring, kitchen cabinetry, molding and millwork. He also stated that rice straw-based MDF contains high quality wax that creates a board resistant to moisture, hence resistant to mold and mildew.

Cindy Aronberg stated that she would not be voting on this particular item based on separate issues but commended Mr. Uhland on the product's positive impact on the environment.

Mr. Uhland added that the California Air Resources Board may approve regulations on April 26, 2007 that would require the reduction of the amount of formaldehyde used in wood composite board and that CalAg's process is already 100 percent free of formaldehyde. Bettina Redway asked what would be in place of the formaldehyde. Mr. Uhland responded that the company is using a formaldehyde free-type resin binding rather than a less expensive formaldehyde-contained type of resin binding.

Thomas Sheehy asked if the rice growers still burn rice straw today. Mr. Uhland responded that under certain circumstances, if a rice grower can demonstrate an economic hardship because of a disease that has affected the crop, burning is allowed for 25 percent of a 100-acre crop field.

Thomas Sheehy asked if the rice growers were providing the raw material for CalAg's process. Mr. Uhland responded that there are nine professional baling and transportation companies contracting with CalAg to provide the collection and delivery of the rice straw.

Thomas Sheehy asked if the grower would obtain any compensation from collection of the rice straw. Mr. Uhland responded that it currently costs each rice grower approximately \$125 per acre to manage the disposal of waste rice straw and that CalAg's fee is \$25 to collect the waste rice straw which makes it a savings of \$100 per acre to each grower.

Thomas Sheehy asked if the basis of the savings to the rice grower would be associated with other practices – such as flooding and tilling the rice straw material into the soil – which the grower can avoid by having the Company remove the waste straw. Mr. Uhland responded in the affirmative, adding that this savings would be in addition to the number of cultural practices the Company provides, such as reducing the size of the rice straw in order to hasten the decomposition. Mr. Uhland described other costs associated with leaving the rice straw in the fields which are eliminated by removing the waste straw.

Bettina Redway asked if there were any other questions from the Board, or any public comments.

Thomas Sheehy moved to approve the item. Upon a second, the item passed with the following vote: Bettina Redway: Aye; Thomas Sheehy: Aye; Cindy Aronberg: Abstain.

- 3) **California Waste Solutions, Inc. and/or its Affiliates** requested approval of (i) Final Resolution No. 462 for an amount not to exceed \$25,905,000 to finance equipment purchases, the acquisition of land, buildings and renovation; and (ii) a SBAF Resolution in an amount not to exceed \$250,000. Staff report presented by Doreen Carle.

Eileen Marxen noted for the Board Members letters of support for this transaction—one of which was a letter from the City of San Jose and another letter, which adds an address in the City of San Jose for the purchase of land for the materials resource facility (MRF).

Thomas Sheehy asked if any of the funds would be used for the facility in the City of San Jose as a previous company, GreenWaste, also has a contract with the City of San Jose. Andy Rose, Financial Advisor, responded that the City of San Jose separated their contracts, not only by district, but also by type of waste collection—there is a separate contract for waste collection and a separate contract for green waste. This company is contracted for a recyclable collection and already has an existing MRF.

Bettina Redway asked if the company had a materials resource facility. Mark Holmstedt, Westhoff, Cone & Holmstedt, responded that the company presently has a contract with the City of San Jose to process recyclables at its existing MRF, and that the new site is for truck parking and maintenance. The company may also have to add sort lines to its existing MRF. Mr. Rose added that the Company had not been collectors for the recyclables until now and that the bulk of the funds are for the new trucks.

Bettina Redway asked if the company is in the position of expanding into a business in Vietnam. Cristina Doung, of California Waste Solutions, responded affirmatively.

Bettina Redway asked whether the company would be a small business at the time of the bond issuance. Ms. Doung responded that the project in Vietnam is being delayed until June 2007 and that the company would only have about 50 to 75 employees in Vietnam at that time. Mr. Rose added that the business has started small but predicts that the company will come back to the Board as a large business in the future.

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

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

**E. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND TO AMEND INITIAL RESOLUTION**

- 1) **Waste Connections, Inc. and/or its Affiliates** requested approval of Final Resolution No. 465 for an amount not to exceed \$15,500,000 and to amend the Initial Resolution approved on December 12, 2006 to increase the requested bond amount from \$14,280,000 to \$15,500,000.

The Company has entered into a contract with the West Valley Solid Waste Management Authority, which provides services to the Cities of Campbell, Los Gatos, Monte Sereno, and Saratoga, as well as the County of Santa Clara. The Company intends to use the bond proceeds to finance the replacement of older collection vehicles with new California Air Resources Board (CARB) compliant vehicles with enhanced fuel efficiency standards. The bond proceeds will also finance the acquisition of collection containers. Staff report presented by Doreen Carle.

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

Thomas Sheehy moved to approve the item; upon a second, the item passed unanimously.

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

- 1) **Norcal Waste Systems, Inc., Alta Equipment Leasing Company, Inc. and/or Affiliates** requested approval of Final Resolution No. 468 for an amount not to exceed \$70,000,000 to re-fund three previously issued bonds by CPCFA—Norcal Waste Systems Inc. Series 2001, 2002A, and 2003. These bonds were used to fund three projects—a recycling facility and a transfer station in San Francisco, and also a San Jose facility.

As of July 1, 2007, the Company will no longer have a contract for solid waste management services with the City of San Jose. The refunding of the prior bonds will allow the Company to move the financed assets currently used to service the City of San Jose contract to its facilities in other locations; will preserve the tax-exempt status of the prior bonds, and will preserve the volume cap allocation used to issue the prior bonds. The refunding of the prior bonds will result in the Company achieving 30 basis points of savings over the financing structure under which they were issued (namely, letter of credit-backed variable rate bonds).

The Company has requested that Alta Equipment Leasing Co., Inc. a 100-percent owned subsidiary of Norcal, act as the Borrower under the Loan Agreement with the Authority. Staff report presented by Deana Carrillo.

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

Cindy Aronberg stated that she was going to abstain from voting on this Board item.

Lawrence Tonomura commended CPCFA staff for helping the financing team with such ease in going through the term sheet and the various factors related to the refunding of this transaction.

Thomas Sheehy moved to approve the item. Upon a second, the item passed with the following vote: Bettina Redway: Aye; Thomas Sheehy: Aye; Cindy Aronberg: Abstain.

## **5. PUBLIC COMMENT**

Bettina Redwell asked if there were any public comments. Hearing none, she moved for adjournment.

## **6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting was adjourned at 11:46 a.m.

Respectfully submitted,

Michael Paparian  
Executive Director