

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
April 24, 2007**

1. CALL TO ORDER & ROLL CALL

Patricia Wynne, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 10:43 a.m.

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Anne Sheehan 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

Anne Sheehan moved to approve the minutes of the March 20, 2007 meeting. Upon a second, the minutes passed with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Abstain; Anne Sheehan: Aye.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEMS)

Michael Paparian reported that CPCFA is in the process of completing the 2006 Annual Reports. For CPCFA's Bond Program, CalCAP, and the CalReUSE Program the Board Members will be provided with copies of all three reports. He stated that the Sustainable Communities Grant and Loan Program's (SCGL) Annual Report will soon be completed. He also stated that the 2006 Annual Reports will be posted to the CPCFA website and that CPCFA will be posting all the annual reports going back to 2001.

Mr. Paparian reported that CPCFA staff is in the process of making revisions to the application regarding the legal questionnaire and requirements relating to the California Environmental Quality Act (CEQA) pursuant to AB 1341, which passed last year. He also stated that environmental questions relative to climate change will be added in the "Environmental Benefits Section" of the application.

Mr. Paparian stated that CPCFA staff is in the process of soliciting applications for the 2007 SCGL funding cycle. He noted that \$2.5 million would be awarded this year, and that in the last funding cycle, 120 applications were received and 14 projects were funded. He stated that the workshops for potential applicants are scheduled for May 9, 2007 in Diamond Bar and May 24, 2007 in Sacramento. He also stated that the deadline for applications would be July 16, 2007 and that after scoring the applications staff would come back to the Board in the fall for funding awards.

Mr. Paparian stated that there have been legislative discussions around expanding the CALReUSE Program to include cleanup funding under Proposition 1C housing bond money. He also stated that there have been discussions with the Department of Toxic Substances Control (DTSC), Housing and Community Development (HCD), and CPCFA’s strategic partners about the issues involved in funding and that there was no certainty that the money would come to CPCFA to implement this provision. There are plans for broader meetings with DTSC, HCD and CPCFA’s strategic partners to discuss how such a program would be implemented and that CPCFA will be ready should the Legislature and Governor allocate funds to CPCFA for cleanup.

Mr. Paparian reported on CPCFA’s current bond financings for this year and noted that CPCFA and CIDFAC would be expecting 12 to 13 closings between April and July.

Ms. Wynne asked for any questions from the Board or public comments.

Ms. Sheehan asked if there had been any solicitation from the public on the legal questionnaire and AB 1341 questions.

Mr. Paparian responded affirmatively that staff has been soliciting input from the stakeholders and that the legal office has mainly been developing the California Environmental Quality Act (CEQA) and legal items to be sure that application requirements are consistent.

Ms. Wynne asked Kristen Smith to briefly discuss the application legal questionnaire and AB 1341.

Ms. Smith replied that counsel, working within the terms of AB 1341 which is fairly narrow, has only asked for notices from the applicants—such as the Notice of Determination, the Notice of Exemption, or other compliance documents. For other projects that do not require CEQA, applicants will be required to provide letters from the cities and/or the applicants.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE INITIAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS

- 1) **Bay Counties Waste Services, Inc. and/or its Affiliates** requested approval of Initial Resolution No. 07-05 for an amount not to exceed \$5,310,000 to purchase equipment to enhance operations. The Company provides refuse collection and disposal services within the Cities of Sunnyvale, Palo Alto, and Mountain View. The Company was also awarded a contract to operate the Sunnyvale SMaRT Station, an existing material recovery facility (MRF) and transfer station owned by the City of Sunnyvale. Staff report presented by Deanna Hamelin.

Ms. Wynne asked for any questions from the Board or public comments.

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Ms. Sheehan moved to approve the item. Upon a second, the item passed unanimously with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Aye; Anne Sheehan: Aye.

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

- 1) **Northern Recycling & Waste Services, LLC and/or its Affiliates** requested approval of (i) Final Resolution No. 470 for an amount not to exceed \$10,315,000 to finance site improvements and equipment purchases, and (ii) a SBAF Resolution in an amount not to exceed \$250,000.

The Company entered into a contract with the Napa-Vallejo Waste Management Authority (JPA) to equip, maintain, and operate the JPA's existing transfer station in American Canyon and is expanding the operations of the transfer station to include the processing of Construction and Demolition (C&D) debris for recycling. The Company also entered into a contract with the City of Paradise and anticipates acquiring and renovating a site from which to operate and house waste collection vehicles and containers. Staff report presented by Michael Smith.

Ms. Wynne asked for any questions from the Board or public comments.

Cindy Aronberg moved to approve the item. Upon a second, the item passed unanimously with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Aye; Anne Sheehan: Aye.

C. REQUEST TO APPROVE AMENDMENT OF FINAL BOND RESOLUTION AND REPORT OF CHANGES TO STAFF REPORT

Ms. Aronberg stated that while the State Controller does not have a legal conflict of interest, out of abundance of caution, she would not participate in Item 4.C.1.

Ms. Aronberg left the Board Meeting for Item 4.C.1. and returned before discussion of 4.D.1.

- 1) **CR&R Incorporated and/or its Affiliates** (i) requested approval of amendment 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; and (ii) reported changes to the Staff Report.

At the March 20, 2007 Authority meeting, the Board approved Final Resolution No. 467. Subsequent to the Board's approval, the Company notified CPCFA staff that allocation of bond proceeds among the project components at the Perris site had been inaccurately represented in its application and, consequently, in the staff report presented at the March meeting. While the total amount of bond proceeds committed to the Perris site remains the same, CR&R plans to allocate the bond proceeds differently than was previously presented. These changes do not affect the total par

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amount or the tax-exempt volume cap amount of the bond, which remains at \$34,615,000.

In addition to the changes in the staff summary, the amended Final Bond Resolution contains a modification of the definition of “Borrower” to comply with the legal opinion of the California State Attorney General’s Office. Staff report presented by Deana Carrillo.

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

Ms. Sheehan moved to approve the item. Upon a second, the item passed unanimously with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Absent; Anne Sheehan: Aye.

D. REQUEST TO APPROVE RESOLUTION FOR SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE

1) **The Ratto Group of Companies, Inc. and/or its Affiliates** requested approval of a SBAF Resolution for an amount not to exceed \$250,000. The Company provides residential waste collection and recycling services.

At the March 20, 2007 Authority meeting, Final Resolution No. 466 was approved for \$42,600,000. The SBAF resolution for \$250,000 which was also discussed at the Authority meeting was inadvertently omitted from the Board packages. According to legal counsel, this omission required that staff seek Authority approval of the SBAF Resolution. Staff report presented by Aaron Todd.

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

Ms. Sheehan moved to approve the item. Upon a second, the item passed unanimously with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Aye; Anne Sheehan: Aye.

E. CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

1) **Small Business Advising Assistance Program – (INFORMATION ITEM)**

Aaron Todd reported that the “Eric Thomas Business STAR” Small Business Advising Assistance Program (SBAA) is a three-year pilot program set to expire on December 2007. The SBAA provides free advising services to small businesses with the potential to grow. Goals of the program include improving access to other forms of capital, creating jobs, expanding economic opportunities, and assisting in recovery of distressed neighborhoods and communities.

Mr. Todd noted that the current pilot program is set to expire in December 2007. However, several components of the program have only begun in recent months, and it is difficult to conclude an analysis of the program at this point.

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Mr. Todd stated that staff's recommendation is that a consultant be engaged in late 2007 to evaluate the program and to provide recommendations for going forward. Staff anticipates that the evaluation will include a discussion of proceeding with a program similar to the current program, proceeding with a program more narrowly focused with an environmental emphasis, and other appropriate options. The evaluation could be used by other state agencies to evaluate their own options for establishing or expanding small business advising services. Results of the evaluation will be provided to the CPCFA Board. No formal action of CPCFA is needed for staff to proceed with this recommendation.

Ms. Sheehan asked that, if the decision is made to continue this program, what the options might be for finding a source of funding for this program.

Mr. Paparian responded that staff would like the evaluation to include exploring options with other state agencies that may have money available. One option might be to extract money from CPCFA's Administration and SBAF funds, although these funds have been drawing down over the years. Mr. Paparian stated that it would come down to what CPCFA would want to achieve through a program like this. If the program were to continue, the funds could possibly come from some other state agency with a more business-specific mission that is interested in proceeding with this program.

Mr. Paparian also stated that staff could work with other state agencies that have small business programs, such as the Office of Planning and Research and the Business, Transportation and Housing Agency. Mr. Paparian stated the evaluation could be used by these state agencies to evaluate their own options for establishing or expanding small business advising services.

Ms. Sheehan asked why the Inland Empire of Orange County and North Valley are not included in the program.

Ms. Marxen responded that the Pacific Community Ventures (PCV) program was initially based in San Francisco and that the program expanded its small business advising services to additional companies in the San Francisco Bay Area. Ms. Marxen stated that these services were replicated in Los Angeles, San Diego and Fresno. Ms. Marxen also stated that there may be additional areas such as the Inland Empire and Orange County that may need these services.

Ms. Sheehan asked if a physical presence is needed in all areas of the State.

Ms. Marxen replied that in this age of technology, perhaps not.

Ms. Sheehan noted the tight time frame for completing an evaluation prior to a request for funding at the end of the year.

Mr. Paparian stated that the program is just getting started in some of these areas so it is difficult to evaluate the effectiveness in some of the new offices that have been established. On the other hand, staff recognizes that there is a potential

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continuity issue if the funding for this pilot program runs out in December 2007; therefore, he could move the evaluation to mid-year.

Ms. Sheehan asked about options if the program ends in December but great demand for the services continues—perhaps staff could get a short-term extension on the contract.

Mr. Paparian responded that in order to extend the services, staff would need to solicit bids. Additionally, CPCFA is not the only source of funding for this program. PCV can continue without CPCFA's support but may need to provide fewer services.

2) California Capital Access Program for Small Businesses (CalCAP)

Vicki Sawyer presented staff's request for approval by the Authority to transfer \$3,000,000 from the Small Business Assistance Fund (SBAF) to the CalCAP Program account.

Ms. Sawyer noted that since the program's inception in 1994, CPCFA has contributed approximately \$30 million to participating financial institutions' loss reserve accounts in support of loans to small business. Ms. Sawyer also noted that based on the current rate of depletion for the CalCAP Program account, staff anticipates a negative balance by the end of July.

Ms. Sawyer recommended approval of the resolution to transfer \$3,000,000 from the Authority's SBAF to the CalCAP Program Account managed by the Bank of New York to ensure funds are available for CPCFA's contributions to the loss reserve accounts under CalCAP.

Ms. Wynne asked whether intermingling of these funds is authorized under CPCFA's statute.

Ms. Marxen responded that CPCFA transfers funds from the Small Business Assistance Fund to the Bank of New York as trustee and that the trustee pays out CPCFA's match to the banks on a loan-by-loan basis. When an enrolled loan is approved, the trustee distributes the money to the participating lender.

Ms. Sheehan asked if there would be any reversion of those funds to be reused when the loan is completed.

Ms. Marxen responded that generally a lender can build up this account as long as it is active in the program, and as the account builds up, the lender would be able to cover its losses.

Ms. Sheehan asked if CPCFA would receive any credit with that lender going forward.

Ms. Marxen responded that the lender's accounts accrue interest; therefore, the money can be returned to CPCFA with interest. The Executive Director has

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authority under the regulations to access those monies that are considered CPCFA's portion plus the interest that has been earned.

Ms. Sheehan asked what the default rate has been.

Ms. Marxen responded that the default rate varies, but generally is relatively low—three to five percent was the last estimate.

Ms. Sheehan asked if CPCFA gets a warning when a default exists.

Ms. Marxen responded that staff monitors the loss reserve accounts and monitors the lender balances.

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

Ms. Sheehan moved to approve the item. Upon a second, the item passed unanimously with the following vote: Patricia Wynne: Aye; Cindy Aronberg: Aye; Anne Sheehan: Aye.

5. PUBLIC COMMENT

Ms. Wynne asked if there were any public comments. Hearing none, she asked for a motion to adjourn from the Board.

Ms. Sheehan moved adjournment of the meeting which was unanimously approved.

6. ADJOURNMENT

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

Respectfully submitted,

Michael Papanian
Executive Director