

MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 23, 2008

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:05 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Les Kleinberg for John Chiang, State Controller
Vince Brown for Michael C. Genest, 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 December 18, 2007 meeting minutes. There were none.

Vince Brown moved approval of the minutes; upon a second, the motion was unanimously carried.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian began with the Executive Director's report noting that CPCFA has had a busy start of the year.

In the bond program, there is a potential \$1.4 billion in demand for exempt facilities. Included is \$510 million to come through CPCFA and an additional approximately \$900 million pending from outside issuers. Allocation last year was \$440 million, and this year the California Debt Limit Allocation Committee (CDLAC) will be recommending \$430 million for exempt facilities. CDLAC is considering changes to procedures that will allow CPCFA to apply for allocation to re-allocate to exempt facilities coming through CPCFA. If this happens, we will report to the Board next month how we will implement this change. The California Statewide Communities Development Authority (CSCDA) plans to bring a proposal for funding a series of anaerobic digesters at dairies in Fresno and Kern Counties to CDLAC. CSCDA will be seeking over \$80 million of allocation for these projects, although CSCDA's inducement is for \$150 million. CPCFA staff is expecting to be asked by CDLAC to conduct a policy review of this technology along with similar technology seeking

inducement at today's CPCFA meeting. It is likely that the policy reviews will be combined for these technologies.

There had been news in recent weeks about financial markets – among the companies that face challenges are some bond insurers. Staff does not anticipate downgrades from bond insurers having a significant impact on CPCFA bonds that have backing from the insurers. Staff is reviewing all CPCFA deals to verify which bonds have backing. Bond issues reviewed thus far have disclosure provisions requiring the borrower to let various parties know of the downgrade. Mr. Paparian will report back at the next meeting if there is new information that may impact CPCFA bond issues.

The CalCAP Program continues to grow. Staff is taking steps to reduce the impact on CPCFA's financial reserves. One such step was adopting regulations reducing maximum loan size and making other adjustments to the program. The Office of Administrative Law (OAL) approved the emergency regulations which are now in effect. Staff will proceed to develop permanent regulations over the next few months. Participating banks have suggested that CPCFA pursue legislation that would allow CalCAP to reduce its contribution to the Loan Loss Reserve. Current law states that CalCAP's contribution should be an amount equal to the combined contribution of the lender and the borrower. Staff is seeking legislation that would allow CalCAP to reduce its contribution to an amount equal to the contribution of the borrower or the lender.

CPCFA was not as successful at OAL with CALReUSE (California Recycle Underutilized Sites Program), the new Brownfields Program. OAL has suggested some minor changes in wording and has requested further clarification of some provisions. Staff would like to schedule a special meeting in mid-February for the sole purpose of adding the minor changes to the regulations.

The Interagency Agreement with the Department of Housing and Community Development (HCD) for the transfer of the \$60 million has been finalized. Staff expects to receive the agreement from HCD in a few days and start collecting signatures.

Bettina Redway commented that Mr. Paparian mentioned an anaerobic digester during a policy review and asked if staff anticipates any newer technologies that might require policy review in the next year.

Mr. Paparian replied that the inducement for BlueFire Energy went before the Board last month. If the Company decides to move forward this year, then a policy review would be indicated.

Ms. Redway asked about a desalinization plant.

Mr. Paparian said he was aware of a desalinization proposal in Southern California moving through the State's Land and Coastal Commission. If that project goes forward, it will seek tax-exempt financing. Per State statute, CPCFA cannot fund a desalinization facility;

however, others such as IBank could. This would draw on the same tax-exempt allocation, and CDLAC would likely request that CPCFA do a policy review on this technology.

Mr. Brown stated that he has talked to Michael Paparian and Joanie Jones Kelly, Executive Director of CDLAC, regarding the proposed procedural change. There are some concerns about changing the procedures without having decision-making mechanics in place.

Ms. Redway thanked Mr. Paparian. Ms. Redway asked if there were any questions or comments from the public.

4. BUSINESS ITEMS

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

Staff introduced Tony Cone, Westhoff, Cone and Holmstedt.

- 1) BioEnergy Solutions, LLC and/or its Affiliates** requested approval of Initial Resolution No. 08-01 for an amount not to exceed \$3,700,000 to purchase equipment and for site preparation and improvements. The Company intends to construct and install a waste manure digester on a leased parcel that requires site preparation located at the Vintage Dairy in Fresno County. The waste manure digester will capture biogas resulting from the breakdown of the manure. PG&E will purchase the biogas to create electricity. The project entails the purchase of a digester and a gas upgrade plant, in addition to piping, agitator pumps, and the construction of a manure processing pit. Presented by – Michael Smith.

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

Les Kleinberg asked if all proceeds from the bonds will be going toward mitigating the effects of methane, and not to the expansion of any dairies.

Mr. Cone replied that the funds would be purely for mitigation of methane.

Mr. Kleinberg commented that this is a promising technology.

Ms. Redway asked if there was any idea of how much gas the digester would produce.

Mr. Cone replied that it is not known at this time.

Mr. Brown moved approval of the item. Upon a second, the item passed with the following vote: Mr. Brown, Aye; Mr. Kleinberg, Aye; Ms. Redway, Aye.

- 2) **Ecology Auto Parts, Inc. and/or its Affiliates** requested approval of Initial Resolution number 08-02 for an amount not to exceed \$26,245,000 to finance the purchase of equipment. The Company intends to use the bond proceeds to replace a large portion of its fleet of tractors and trailers with new CARB-compliant vehicles. The Company represents that the Project will generate pollution control benefits. Presented by – Doreen Carle.

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

Mr. Brown moved approval of the item. Upon a second, the item passed with the following vote: Mr. Brown, Aye; Mr. Kleinberg, Aye; Ms. Redway, Aye.

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

Les Kleinberg stated that due to a potential conflict of interest with a source of income to the Controller’s family from Wells Fargo Bank, he would not be participating in this agenda item and he momentarily left the room.

Staff introduced Mark Holmstedt.

- 1) **Amador Valley Industries, LLC (AVI) and Pleasanton Garbage Service, Inc. (PGS) and/or its Affiliates** requested approval of Final Resolution No. 477 (SB) for an amount not to exceed \$5,630,000 to finance the purchase of land, buildings, and equipment. Bond proceeds for the Project primarily involve the acquisition of retrofitting of CNG collection vehicles and rolling stock. Additionally, a portion of the funds will be used to improve an existing sort-line and to acquire drop boxes, bins, and carts. Presented by – Doreen Carle.

Mr. Redway asked if there were any questions or comments.

Mr. Brown moved approval of the item. Upon a second, the item passed with the following vote: Mr. Brown, Aye; Ms. Redway, Aye; Mr. Kleinberg, Abstain.

Mr. Kleinberg re-entered the room.

- 2) **Yulupa Investments, LLC and/or its Affiliates** **WITHDRAWN**
- 3) **Solid Wastes of Willits, Inc. and/or its Affiliates** **WITHDRAWN**

C. REQUEST TO APPROVE RESOLUTION TO AMEND BOND DOCUMENTS TO PROVIDE FOR MATURITY EXTENSIONS, APPOINTING SUCCESSOR TRUSTEE AND REMARKETING AGENT AND WAIVING NOTICE PERIOD FROM RESIGNING TRUSTEE

Staff introduced Lawrence Tonomora, Banc of America Securities, LLC and R. Thornton Lurie, Goldman Sachs & Company.

1) Air Products and Chemicals, Inc. and Air Products Manufacturing Corporation.

The Company requested that the Authority approve extending the maturity of its Martinez Bonds, Wilmington Bonds, and 1997B Bonds for a period not to exceed an additional 15 years; appointment of The Bank of New York Trust Company, N.A. as Successor Trustee to US Bank; appointment of Goldman, Sachs & Co. as Remarketing Agent on the Wilmington Bonds, the Martinez Bonds and for the remaining Taxable Martinez Bonds upon their conversion from a taxable to a tax-exempt rate; and waiving the 60-day notice provision such that the notice period in which the resigning trustee must notify parties, including the Authority, is reduced to 15 days. Presented by – Michael Smith.

Ms. Redway asked if the 60-day notice provision is in our original resolution.

Mr. Tonomura replied that it is in the Indenture.

Mr. Brown asked whether there is still a net savings by changing into tax-exempt and extending the maturity date.

Mr. Tonomura replied that by extending the maturity date the Company takes advantage of the lower interest rate going from a taxable rate to tax-exempt.

Mr. Brown moved approval of the item. Upon a second, the item passed with the following vote: Mr. Kleinberg, Aye; Mr. Brown, Aye; Ms. Redway, Aye.

5. PUBLIC COMMENT

Ms. Redway asked if there were any public comments. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns. The meeting was adjourned at 11:25 a.m.

Respectfully submitted,

Michael Papanian
Executive Director