

**MINUTES**

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
May 28, 2008**

**1. CALL TO ORDER & ROLL CALL**

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 10:49 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Les Kleinberg for John Chiang, State Controller  
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 April 23, 2008 meeting minutes. There were none.

Les Kleinberg moved approval of the minutes; upon a second, the minutes were unanimously approved.

**3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)**

Mr. Paparian started his report by acknowledging the hard work and dedication of Ms. Carrillo for putting the CALReUSE program together and leading the staff's efforts to adopt regulations, work with stake holders, draft and circulate the Request for Proposal (RFP) and sort out many issues associated with developing the program.

Mr. Paparian stated that the Brownfield Remediation program itself is moving forward despite a few problems. An RFP for strategic partners was issued a couple of months ago after which staff was informed that the structure for using and getting reimbursed from bond funds was not quite right given the convoluted nature of bond funds going first to the Department of Housing and Community Development (HCD), then transferring to CPCFA through a reimbursement process, and subsequently going to the strategic partners as necessary for administering and funding projects. Additionally, staff found that the statewide strategic partners were not attracted to the RFP for several reasons including the reimbursement structure. Staff reissued a RFP for local strategic partners. Staff will hold a call with potential bidders next week, get back proposals in early June, and plan to have local

strategic partners in place this summer. Staff will also be putting together a RFP for statewide strategic partner(s) to be sent out in June.

Staff was recently alerted to another issue that there may not be an adequate support appropriation in the state budget from last year to allow staff to spend funds on this program. The State Controller's Office is currently exploring this and CPCFA may need to see what the Department of Finance thinks as well. It is possible, depending on the answers staff gets to the questions, that CPCFA may need to seek clarifying language in the state budget this year

Concerning the bond program, Mr. Paparian reported that staff continues to see high demand for tax-exempt bonds. Staff is aware of more demand for bonds than there is allocation for exempt facilities this year; however, he stated that staff is also aware that there may be competing demand from other allocation areas.

**A. Regulation Changes for the California Capital Access (CalCAP) Program**

Aaron Todd, CalCAP Program Manager, reported on the status of regulation changes for CalCAP. The current emergency regulations approved last December are expected to become permanent by July 2008.

**B. Amendment of Interagency Agreement with the California Integrated Waste Management Board (CIWMB) Regarding the CalCAP Independent Contributor Program**

Mr. Todd reported that the current Independent Contributor Interagency Agreement in an amount not to exceed \$500,000 due to expire June 15, 2008, will be extended to June 15, 2011. Under this agreement the CIWMB agrees to pay loan loss reserve contributions of a CalCAP borrower and the CPCFA for loans used finance waste diversion.

Ms. Redway asked if there were any questions. There were none.

**4. BUSINESS ITEMS**

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

Staff introduced Mark Holmstedt, Westhoff, Cone and Holmstedt; and Don Dean, CFO, GreenWaste Recovery, Inc.

- 1) GreenWaste Recovery, Inc. and/or its Affiliates** requested approval of an Initial Resolution for an amount not to exceed \$17,085,000 to finance construction and to purchase vehicles and equipment. The Company provides refuse and disposal services in Santa Cruz, Sonoma, San Mateo, San Benito and Santa Clara counties. The Company anticipates that the project will provide waste diversion, air quality, water quality and recycling benefits. Presented by - Michael Smith.

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

Les Kleinberg moved approval of the item; upon a second, the item was unanimously approved.

**B. REQUEST TO APPROVE AMENDMENT OF INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS**

Staff introduced Mark Holmstedt, Westhoff, Cone and Holmstedt; and David Albers, BioEnergy Solutions.

- 1) **BioEnergy Solutions, LLC** received Initial Resolution approval in January 2008 for an amount not to exceed \$3,700,000 to construct and install a waste manure digester on a dairy in Fresno County to capture and sell biogas which will ultimately be used to create electricity. BioEnergy Solutions requested approval to increase the Initial Resolution (IR) amount to \$10,200,000 to construct a second digester with associated equipment on an adjacent dairy and add additional equipment to the previously approved waste manure digester site. Presented by – Michael Smith.

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

Mr. Kleinberg commented that it was a very worthwhile project, but wanted to be assured that none of the money from the bonds will be used for any dairy expansion and would solely go to the waste manure digester system.

Mr. Albers responded that was correct.

Ms. Redway asked if the project is serving several farms and if the gas will be piped into one central digester.

Mr. Albers replied yes, the biogas is moved to one central upgrade plant. He further explained that there is a digester at each dairy, but the gas is moved to an upgrade plant where it is cleaned to pipeline quality standards and then put into the PG&E (Pacific Gas and Electric Company) pipeline.

In response to Ms. Redway's question about the PG&E contract, Mr. Albers replied that it was executed in December 2006.

Ms. Redway asked if Mr. Albers plans to expand the digester project components to additional dairies to which Mr. Albers responded in the affirmative.

Mr. Kleinberg stated that it would be better for the company to come back in the future with a new resolution for those components rather than amend an existing resolution.

Mr. Albers affirmatively acknowledged Mr. Kleinberg's direction.

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

Mr. Kleinberg moved the item; upon a second, the item was unanimously approved.

**C. REQUEST TO APPROVE REINSTATEMENT, EXTENSION AND AMENDMENT OF AMENDED INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS**

Staff introduced Matt Linford, BP West Coast Products; Russ MacPherson, BECON Corporation; and Katherine McCallum, Goldman Sachs.

**1) BP West Coast Products LLC** requested approval of a reinstatement, extension and amendment of Initial Resolution number 94-11 for an amount not to exceed \$253,000,000. The Company requested that the authorized maximum principal amount of the revenue bonds referenced in the Amended Initial Resolution be decreased from \$510,000,000 to \$253,000,000; this included \$153,000,000 of facilities previously financed for the Carson Refinery during the period from 1994 through 1997 with bonds issued by the Authority. The amount also includes \$100,000,000 for additional refinery facilities seeking tax exempt financing for the period from 2006 to 2010.

The company will not be using the remainder of the original \$510,000,000 due to tax reasons. Additionally, BP West Coast Products LLC has applied to the Authority to be considered for tax exempt bond allocation at its June 2008 meeting.

The company is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The company provides crude oil refining and marketing operations. The project is located in Carson in Los Angeles County. The Company anticipates that the project will provide for the safe disposal of solid waste, as well as other pollution control and air quality benefits, and help meet California's demand for cleaner burning fuels. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions or comments from the board. There being none, Ms. Redway explained that she would also be on the CDLAC (California Debt Limit Advisory Committee) board that meets later in the day. She stated that during the briefing for CDLAC she was made aware of an unexpected increase in demand for multi-family housing allocation which, by statute, is the priority for California in terms of allocation. Developers are developing low-income (multi-family) housing as an alternative to the housing problems facing the state. At this point, the pipeline estimates for multi-family housing allocation is approximately \$200,000,000 to \$600,000,000 over subscribed. When this occurs, the CDLAC board tends to put other requests for lower priority projects on hold. Although BP West Coast Products LLC is a large business and a second tier business within CDLAC's

priorities for exempt facilities, this does not mean that there would be no allocation available this year or next year. She stated that this situation was unexpected and the demand for low income housing has not been this high for about a decade.

Ms. Redway asked if there are any other questions or comments from the other board members.

Mr. Kleinberg expressed the same concerns about the demand for allocation, pointed out that this item was really an initial resolution for the issuance of additional bond and stated that there was no harm in approving the initial resolution today and waiting for the future to see how the housing goes before making the final decision.

Ms. Redway agreed with Mr. Kleinberg. Ms. Redway asked if there were any other comments from the board or public.

Mr. Kleinberg moved the item; upon a second, the item was unanimously approved.

**~~D. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REVENUE BONDS, AUTHORIZE SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE, AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION~~**

- ~~1) Upper Valley Disposal Service, Inc. and/or its Affiliates, #810 (SB\*);  
— Solid Waste Disposal, \$4,235,000~~ **WITHDRAWN**

**E. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REFUNDING REVENUE BONDS AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION**

Staff introduced Matt Linford, BP West Coast Products; Russ MacPherson, BECON Corporation; and Katherine McCallum, Goldman Sachs.

- 1) BP West Coast Products LLC and/or its Affiliates** requested approval of a Final Resolution to issue refunding bonds for an amount not to exceed \$108,000,000. The company proposed a refunding of \$88,000,000 Taxable Bonds to Tax-Exempt Bonds in conjunction with the refinancing of \$20,000,000 previously converted Tax-Exempt bonds for a total issuance amount not to exceed \$108,000,000 of Series 2008 Tax-Exempt refunding revenue bonds. The company also requested \$88,000,000 of tax exempt volume cap allocation.

In 1997 CPCFA issued Taxable revenue bonds to ARCO in the amount of \$108,000,000, and in 1998 \$20,000,000 of the \$108,000,000 was converted to Tax-Exempt bonds. The bonds were issued to finance improvements and additions to ARCO's refinery located in Carson. Facilities were installed to collect, store, treat, utilize, process or dispose of solid waste or sewage to reduce the level of emissions generated by refining and cogeneration operations, and to comply with federal and

state regulations as they pertain to reformulated gasoline. Presented by – Doreen Carle.

Ms. Redway asked if there were comments from the board.

Mr. Kleinberg expressed concern about the volume cap maximum allocation because of the anticipated change in housing demand right now. He commented that although the project is worthwhile, it is second tier; and therefore he recommended that this item be put over to a future hearing pending the outcome of CDLAC’s distribution of the rest of the tax exempt volume cap allocation.

Ms. Redway stated that she agreed with Mr. Kleinberg’s recommendation, as she had trouble supporting the allocation piece of the resolution at this time. Ms. Redway further stated that there may be allocation available later this year or next year, but that it was difficult to support the item at this time because of the pipeline projected for multi-family housing. She presented the company with the option of having the board either take up the item or put it over for future consideration.

Mr. Linford stated that the company would like to be considered for future allocation.

Mr. Paparian stated that he conferred earlier with the company about whether it preferred action on the final resolution without the allocation now or whether it would prefer to wait and take the action all at one time. The preference was to take it all at one time.

Ms. Redway asked if it was best to take the item up and put it over, or determine if the company should withdraw the item.

Mr. Paparian stated that counsel would be better at responding to this; but since the explanation had already been provided, and was adequate, there was no need to vote one way or another. The item would not need to be officially withdrawn. There just would not be a motion made one way or the other.

Ms. Redway agreed.

Mr. Kleinberg then said that the item can just be put over.

Mr. Paparian said that staff will work with the company regarding scheduling the item for a future time.

**F. REQUEST TO APPROVE AMENDMENT TO BOND DOCUMENTS**

Staff introduced Lawrence Tonomura, Bank of America Securities, LLC.

- 1) Waste Management, Inc. requested consent of the Authority to appoint Banc of America Securities, LLC to serve as the Remarketing Agent, and

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the Bank of New York Trust Company, N.A. as Tender Agent for the Authority's 1998 bonds pursuant to the terms of the indentures for the bonds. Authority consent was required due to a mandatory tender and consequent remarketing of the 1998 bonds that were initially issued in a 10-year Term Interest Rate mode in 1998. The Authority previously issued these bonds to USA Waste Services, Inc. in 1998; Waste Management, Inc. is the successor to USA Waste Services, Inc. The bonds were initially issued in a 10-year term interest rate period with a mandatory tender on June 1, 2008. The indentures allow for remarketing the bonds in various modes and Waste Management, Inc. has determined to remarket the bonds in a 2-to-5 year term rate mode. Presented by – Michael Smith.

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

Mr. Kleinberg moved 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 11:17 a.m.

Respectfully submitted,

Michael Papanian  
Executive Director