

MINUTES

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

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 10:50 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Les Kleinberg for John Chiang, State Controller
Anne Sheehan 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 June 25, 2008 meeting minutes. There were none.

Anne Sheehan moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian began with the Air Resources Board (ARB) and various projects that the staff has been working on. He acknowledged the staff's hard work in keeping the projects successful, with a special mention to Mr. Aaron Todd, in leading the ARB program with assistance from Ms. Dona Yee and Ms. Kamika McGill.

Concerning the bond program, Mr. Paparian stated that changing economic circumstances are leading companies to delay financings. He reported that several deals that were expected this year are moving into 2009. Even so, staff is expecting up to \$70 million in requests at the August meeting. August will be the last allocation meeting and after that, the remaining allocation will revert back to CDLAC for allocation. Staff is aware of approximately \$188 million in requests for the BP clean fuels project which will come to CPCFA for approval and CDLAC for allocation in September. This is in addition to the \$48.5 million CPCFA issued in bonds earlier this year.

Mr. Paparian mentioned that he has been working on issues involving CPCFA income and outflow. One of the areas that staff has been looking at is the Small Business Assistance

Fund. Staff expects to discuss some new directions for SBAF at the August and September meetings. Another change is expected from SB 1311, which reduces the contributions CalCAP makes to the loan loss reserves. SB 1311 recently passed the Assembly unanimously and should be on the Governor's desk shortly.

Mr. Paparian explained that item 3A of the Executive Director's report – the Authority's selection of Local Strategic Partners for the CALReUSE Remediation Program – will be addressed later in the Board meeting during the discussion of item F1 regarding the recommendation for Statewide Strategic Partners. The selection of Local Strategic Partners is not an action item because it involves contracts up to \$300,000.

Mr. Paparian then directed the Board to agenda item 3B, an Interagency Agreement with the Air Resources Board (ARB), regarding the ARB On-Road Diesel Retrofit Regulations. ARB is expecting to provide funding to provide assistance to truckers in either retrofitting trucks or buying newer used trucks or brand new trucks. ARB has asked CPCFA to help develop a menu of incentives such as interest buy downs or a direct grant assisting in a down payment on a loan, or even CalCAP program contributions to loan loss reserves. CPCFA has entered into a contract with Robert Half, a contractor from California Multiple Award Schedules (CMAS), consulting for under \$50,000. Mr. Paparian clarified that this was an informational item and did not need any action from the board as it was under \$300,000. He further stated that staff hopes that this will be a first step in what might be an exciting new program.

Ms. Redway asked if there were any questions.

Ms. Sheehan asked about the timing for the ARB report. Mr. Paparian clarified that the report should be available by mid-September. Mr. Paparian also explained that the ARB is taking this report to the ARB October Board meeting when it is expected to be adopted in the next round of the ARB regulations package. Depending upon the State budget, there may be additional money available to provide financial incentives as early as the first of the year.

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

4. BUSINESS ITEMS

A. CONSIDERATION OF STAFF RECOMMENDATION REGARDING PROJECTS USING BAG HOUSE TECHNOLOGY

CPCFA has received a request from TAMCO Steel, to fund the construction and equipping of a baghouse system. At the January 23, 2008 meeting, the CPCFA Board approved an Initial Resolution for TAMCO. TAMCO expects to request a Final Resolution from the CPCFA Board approximately in the first quarter of 2009. This item is a review of the technology TAMCO will be using. Presented by Michael Smith.

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

Ms. Sheehan asked for clarification regarding the change in the law and whether this project qualified for tax-exempt bond financing. She further questioned whether legal counsel opined that this type of technology is not air pollution and qualifies as solid waste?

Mr. Smith stated that bond counsel has stated that this type of technology does qualify, but has not opined on this particular project as bond counsel would do this when the Company comes back for the financing.

Ms. Redway asked again if there were any further questions from the Board.

Ms. Sheehan asked if the Board needed to take any action about the item.

Mr. Paparian stated that staff needed direction from the Board as to whether to accept applications for this type of technology and then consider them on their individual merits.

Ms. Sheehan moved the staff recommendation: upon a second, the item was unanimously approved.

B. CONSIDERATION OF STAFF RECOMMENDATION REGARDING PROJECTS USING CELLULOSIC ETHANOL TECHNOLOGY

CPCFA has received a request from BlueFire Ethanol Lancaster, LLC to construct a three million gallons per year biomass fueled ethanol production facility which will process approximately 170 tons of landfill diverted greenwaste and other cellulose debris annually using an acid hydrolysis conversion technology process. The plant's end product, ethanol, will serve as a volumetric extender for fossil fuel by virtue of being blended with conventional gasoline. Moreover, the plant process itself will consume about 70% less fuel than otherwise required through the use of a process by-product, lignin, to generate the facility's thermal and electrical energy requirements. The facility will serve Southern California and aims to reduce petroleum dependence, generate greenhouse gas emissions reduction and preserve landfill space. This is a review of the technology BlueFire will be using. Presented by Brian Gorban.

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

Ms. Redway stated that there are some concerns about the long-term financial viability of this type of technology, but that each deal will be reviewed separately on its own merits.

Mr. Kleinberg agreed that there would need to be further review.

Ms. Sheehan asked if BlueFire Ethanol has just applied to the board and Mr. Paparian replied that an initial resolution was approved earlier this year.

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

Ms. Sheehan moved the staff recommendation to direct staff to consider applications for financing from CPCFA for this type of technology; upon a second, the motion was unanimously approved.

C. REQUEST TO APPROVE AMENDMENTS OF INITIAL RESOLUTIONS AUTHORIZING THE ISSUANCE OF REVENUE BONDS

Staff introduced Tony Cone, Westhoff, Cone and Holmstedt.

- 1) **Burrtec Waste Group, Inc. and/or its Affiliates** requested an amendment of Initial Resolution No. 03-20 for an amount not to exceed \$112,900,000 to finance the purchase of land, construction/modification/expansion of solid waste facilities, improvement of sites, and purchase of vehicles and equipment. The Initial Resolution was approved on December 16, 2003. The company provides refuse collection and disposal services for residential, commercial, and industrial customers in Los Angeles, Riverside, San Bernardino, and Imperial Counties. The company anticipates that the project will provide waste diversion, air quality, water quality, energy efficiency, recycling, and ratepayer benefits. Presented by Ling Tse.

Ms. Redway mentioned that with the number of amendments that this company has, it gets difficult to track. Ms. Redway inquired as to why there are so many amendments.

Ms. Sheehan further asked if the company is planning anymore amendments.

Mr. Cone stated that after much discussion between CPCFA and bond counsel, the underwriter recommended the amendment because it seemed to make the most sense to the company. He explained that some of these projects are long term and ongoing. A classic example is the City of Santa Clarita, where money was spent initially, but the project has been delayed and there have been changes to it since the original inducement. There may be other changes to this inducement such as if there is an issue with the location, or equipment may end up at another location.

Ms. Redway asked what the downside would be to requesting a new inducement.

Mr. Cone replied that there is probably no downside, but for the underwriter and bond counsel this easier to track. The tax attorneys will ultimately decide if the project is really a tax-exempt project.

Mr. Robert Feyer of Orrick, Herrington, and Sutcliffe, explained that the purpose of the Initial Resolution (IR) is primarily for federal tax purposes-to allow the company eventually to reimburse the cost of what was incurred. It is possible that each time a new physical location is requested that a company could apply for a new IR.

Ms. Redway mentioned that there is one item that will be heard a little bit later where there was a new location being added.

Mr. Feyer agreed that CPCFA could issue a new IR for a new location, but the companies do start out by listing all the locations that the company has operations.

Mr. Cone indicated that a company is often times going through permitting, real estate purchases, or the community requests changes to the project, which then increases the costs. This is the reason companies must then request to have IRs amended. The difficulty is if there are several IRs, when it comes time to do the bond issue, several IRs may be picked up, which is itself an administrative problem for tracking purposes.

Ms. Redway encouraged the underwriters and bond counsel to work with staff to be certain that the information that the Board needs is accurate and provided in a timely fashion. Ms. Redway further reiterated that the Board finds it difficult to monitor continual amendments.

Mr. Feyer pointed out that the IR is not the final decision point and it might be advisable to think about being less detailed in the IRs and then when the company comes for the FR, the board can look at specifically what the company wants financed.

Mr. Kleinberg stated that it does not seem intuitive to have a request for over \$112,000,000 in amendments to a resolution that has been amended three times. Mr. Kleinberg further stated that from his perspective it does not make sense why a project would get this far and then come back with \$112,000,000 addition, rather than applying for a new IR. Mr. Kleinberg suggested that staff look at the pros and cons of doing IR amendments versus new IRs, and report back to the Board.

Mr. Paparian discussed the level of detail needed for the IR staff reports. As Mr. Feyer pointed out, there is an argument that can be made and that it is not necessary for a great level of detail at the IR level, but that it is necessary at the Final Resolution (FR) level. Mr. Paparian further stated that staff has been following the direction of the Board and extracts as much information as possible, but it may be time to look at the issue and confirm what the Board desires. If so directed, staff will analyze the pros and cons of the amendment issue and the level of detail needed at the IR. Staff could come back later this year with the analysis.

Ms. Sheehan agreed that was a good suggestion and would welcome staff's analysis.

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

Mr. Kleinberg moved approval of the Burrtec Waste Group item; upon a second, the motion was unanimously approved.

- 2) **GreenWaste Recovery, Inc. and/or its Affiliates** received Initial Resolution approval in May 2008 for an amount not to exceed \$17,085,000 to finance construction, and to purchase vehicles and equipment. GreenWaste requested to increase the IR amount to \$30,550,000 to purchase additional equipment and construct and improve new and existing buildings and storage areas on other locations either operated by, or proposed to be operated by, the company. Presented by Mike Smith.

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

Mr. Kleinberg asked when the Board heard the IR in May 2008 whether the company had not gone far enough in the process with the final site to be able to add it in at that time.

Mr. Cone responded in the affirmative.

Ms. Sheehan moved the approval of the resolution; upon a second, the motion was approved unanimously.

D. REQUEST TO APPROVE AMENDMENT AND REINSTATEMENT OF INITIAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS

Staff introduced Tony Cone, Westhoff, Cone and Holmstedt and Robert Feyer, Orrick, Herrington and Sutcliffe.

- 1) **Arakelian Enterprises, Inc. dba Athens Services** received Initial Resolution approval on October 26, 2004 for an amount not to exceed \$35,150,000 to finance the expansion and improvement of its Material Recovery Facility (MRF), land and building purchases, equipment replacements and additions, and other capital improvements at various corporate yard locations. The company requested an amendment and reinstatement of the Initial Resolution to increase the amount to \$47,940,000 to purchase additional equipment, improve new and existing buildings, and to include the an additional location in Irwindale. The company anticipates that the project will provide waste diversion benefits. Presented by Doreen Carle.

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

Ms. Sheehan asked if the reinstatement relates to the date of the original IR.

Ms. Carle responded in the affirmative.

Ms. Sheehan further asked if the IR had expired, why the company did not just apply for a new IR.

Mr. Feyer replied that the tax law allows the company to relate it back to the original date and under that law, IRs do not actually expire. Mr. Feyer added that it is the Authority's policy that IRs expire

Ms. Sheehan elaborated on her statement that if a new IR had been requested for the project whether some of the costs would not be reimbursed.

Mr. Feyer replied that it relates back to the original date of the IR, to the extent that it might be necessary to try to capture any costs.

Ms. Sheehan then asked if this is the advantage of the reinstatement.

Mr. Feyer responded in the affirmative

Mr. Paparian added that CPCFA expires IRs after three years due to recordkeeping issues. Staff can reconstruct an IR that has been expired if needed.

Ms. Redway reiterated that staff will be reviewing the process of amending IRs and will be reporting back to the Board on its findings later this year.

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

Ms. Sheehan moved approval of the Arakelian Enterprises item; upon a second and the motion was unanimously approved.

~~E. 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 Affiliates, #810 (SB*), Solid Waste Disposal, \$4,235,000
WITHDRAWN~~

F. OTHER BUSINESS

1) Request approval to contract with selected Statewide Strategic Partner(s) for the CALReUSE/Prop 1C Remediation Program

CPCFA has been working diligently to implement the CALReUSE Remediation Program funded by the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). A fundamental preliminary step in this process is the selection of Strategic Partners to assist the Authority in administering the Program.

In assessing the needs of the Program, staff determined it would conduct two competitive bidding processes with two distinct compensation methods – one for

Local Strategic Partners and one for Statewide Strategic Partners – given the distinct differences and scopes of work for the two types of entities.

To evaluate the proposals received in response to the competitive RFPs staff had an internal evaluation team of voting members as well as an external technical assistance advisory team which consisted of representatives from: the Department of Housing and Community Development, Department of Toxic and Substances Control and the Water Board to provide the technical expertise.

Regarding the Local Strategic Partner process, the Authority received four proposals and ultimately selected two very qualified candidates. One is the City of Oakland, a Strategic Partner under existing site assessment program. The other is the Targhee Consulting Team, led by Targhee Inc; an environmental consulting firm based in Long Beach, which has gathered together team members representing community redevelopment, real estate development, marketing, public affairs, loan underwriting and financial services. Targhee will service the Los Angeles County area. The City of Oakland earned a score of 100 and the Targhee consulting team earned a score of 103 out of 115 total possible points. The Authority will enter into contracts not to exceed \$300,000 with each entity. They will be reimbursed based on the number of applications they bring in, on the number of loans or grants that are actually executed, and administering those loans and grants over time.

Ms. Redway asked if the Program had any Local Strategic Partners in Southern California. Staff informed the Board that although there have been representatives under contract in Southern California, they have not been active Strategic Partners. Having a Local Strategic Partner in Southern California will increase the strength and activity for the Program.

Specific to staff's recommendation of Statewide Strategic Partners – Item 4F1 – CPCFA undertook a similar competitive bidding process and ultimately selected the Center for Creative Land Recycling (CCLR) and the National Brownfield Association (NBA). Staff determined to select two statewide strategic partners to assist in administering the program across the state. That decision was based primarily on their comparable scores, unique strengths that each entity brings to the table and their ability to get projects financed and funded quickly to develop housing. A Statewide Strategic Partner's compensation is based on fees for specific services provided, and ultimately rewards the Strategic Partner for successfully implementing the Program. The Authority will enter into a two year contract not to exceed \$1,000,000 with each entity.

The Board asked if staff was aware of any specific projects or if a pipeline was available. Staff explained that submitting pipelines of projects was a part of the proposal review process. Analysis of the pipelines showed that there was 1) little overlap between the pipelines and the entities reached out to different types of projects, and 2) it was clear that the Program would be oversubscribed given the number of projects staff has been made aware of. Staff will conduct additional

analysis and outreach and plan to bring a recommendation to the Board at the August meeting regarding what method – competitive rounds or monthly financing – the Board should utilize to begin financing projects under the Program.

The Board asked for a clarification on the different scope of work between the Local and Statewide Strategic Partners. Ms. Carrillo explained that an applicant will have the choice of who they work with, and which SP they apply through. Local Strategic Partners with a deeper knowledge of local needs and priorities are able to service applicants in their geographical area. The Statewide Strategic Partners may serve applicants any where across the state.

The Board asked that the staff develop an evaluation tool for the Statewide Strategic Partners to assess the services they will be providing and develop criteria for that purpose when evaluating the Statewide Strategic Partners' performance. Mr. Paparian suggested that an additional evaluation tool could be a questionnaire for applicants and recipients of funding – to obtain information about their experience.

Ms. Sheehan moved the approval of the Statewide Partners.

Ms. Redway asked if there were any further questions from the board and the public. There were none and 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 11:48 a.m.

Respectfully submitted,



Michael Paparian
Executive Director