

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
September 24, 2008**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:44 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Tom Sheehy 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 August 27, 2008 meeting minutes. There were none.

Mr. Sheehy moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian reported that staff is improving the CPCFA website, with a special mention to Diana Michaelson, who did a lot of work helping to update the website. This includes content improvements like links to statutes and a better description of CPCFA's programs. Staff will be posting CPCFA's policies, guidelines and other items and there will be more improvements over the coming months.

Mr. Paparian referred to Jan McFarland's remarks at the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) meeting, wherein CPCFA is working with CAEATFA and the Air Resources Board (ARB) on financial incentives to help truckers meet new clean air rules. There will be an ARB item in this meeting. CPCFA is also waiting for the Governor's action on a bill affecting the California Capital Access Program (CalCAP), SB 1311, to help CPCFA reduce the overall costs of the CalCAP program. The bill is on the Governor's desk; it passed the legislature unanimously, so CPCFA is hoping that the Governor will sign the Bill.

Mr. Paparian reported that the California Recycle Underutilized Sites (CALReUSE) Prop 1C program has all its Strategic Partners under contract. The two Statewide Partners, Center for Creative Land Recycling (CCLR) and the National Brownfield Association (NBA) have

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indicated that there is a lot of interest in the program. Staff expects to present projects for this program at the November CPCFA Board meeting. Staff believes that the money allocated to CALReUSE for brownfield clean-up will be exhausted very quickly. Staff may consider going back to the Legislature to ask for additional Prop 1C funds for brownfield clean-up, but that will be addressed at a later meeting. Given the amount of money that is needed to cover overhead costs, as well as funds that are typically held back during bond issuances, staff thinks the amount of money initially available will be about \$50,000,000 of the \$60,000,000. Staff will hold back sufficient funds to assure CPCFA spending does not exceed \$60,000,000.

Staff is working on a possible bill for next year to clean-up portions of CPCFA's statutes. Among the items staff is looking to improve is the definition of "project." The current definition is 275 words long in a single sentence.

Ms. Redway asked if it does not exactly go along with the federal IRS definition.

Mr. Paparian responded that it does not quite go along with the IRS definitions and has led to some confusion about whether certain projects are refundable or not, so staff is looking to clean that up as well as some other items. Mr. Paparian added that staff will come back and report more on the Legislative Measure at a future meeting.

Mr. Paparian reported that some banks that traditionally help California waste and recycling Tax-Exempt Bond projects are backing out of deals given current market uncertainties. Staff may come back next month with projects where this is the case and adjustments to previously passed resolutions are needed. Interest rates and the bond market for private activity bonds, as well as municipal bonds, have been quite abnormal. Weekly interest rates were approaching 10% last week, as interest rates were resetting. The actions of Warren Buffett to inject \$5,000,000,000 into Goldman Sachs made a noticeable improvement in confidence in the market place. Weekly resets on the types of bonds that CPCFA is involved with are now down about 150 basis points. The weekly rate is now expected to be in the low to mid 8% range as opposed to approaching 10%.

Ms. Redway asked if it was 2% four weeks ago.

Mr. Paparian responded yes and it was actually below 2% a few weeks ago. He commented for the optimists in the world, there is a lot of hope that the interest rates will continue to go down to a more realistic level.

Mr. Sheehy commended Mr. Paparian for having staff work on the website. He also mentioned that there are a lot of financing authorities and entities within the State Treasurer's Office that do a lot of important work. He was sure that the general public does not have it thoroughly sorted out and that the work that staff is doing on the CPCFA website is excellent and hopefully will set an example for all the Authorities under the Treasurer's control.

Ms. Redway added that the State Treasurer's Office (STO) is trying to keep all its Authority websites uniform. Innovations in one that are effective could migrate to others quickly. She stated that if there is anything on the STO website that anybody especially likes or dislikes, to let the STO know.

4. BUSINESS ITEMS

A. APPROVAL OF 2009 MEETING CALENDAR

Mr. Paparian began by stating that CPCFA’s tradition is to have the Board approve the meeting calendar. The proposed meetings for 2009 are on Wednesdays late in the month with the exception of November and December because of the holidays. These dates will be on the same days as the California Debt Limit Allocation Committee (CDLAC) meeting. This will provide some convenience for members who are overlapping on two or three Boards. Presented by Michael Paparian.

Month	Day	Time	Date
January	Wednesday	10:30 a.m.	01/28/09
February	Wednesday	10:30 a.m.	02/25/09
March	Wednesday	10:30 a.m.	03/25/09
April	Wednesday	10:30 a.m.	04/22/09
May	Wednesday	10:30 a.m.	05/27/09
June	Wednesday	10:30 a.m.	06/24/09
July	Wednesday	10:30 a.m.	07/22/09
August	Wednesday	10:30 a.m.	08/26/09
September	Wednesday	10:30 a.m.	09/23/09
October	Wednesday	10:30 a.m.	10/28/09
November	Wednesday	10:30 a.m.	11/18/09
December	Wednesday	10:30 a.m.	12/16/09

Ms. Redway asked if the California Industrial Development Financing Advisory Commission (CIDFAC) and CAEATFA will also have the meetings at the same time.

Mr. Paparian responded yes they are planning to meet on the same days.

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

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST FOR APPROVAL OF INTERAGENCY AGREEMENT WITH THE STATE TREASURER’S OFFICE FOR SUPPORT PROVIDED BY THE STATE TREASURER’S EXECUTIVE OFFICE, ADMINISTRATION DIVISION AND INFORMATION SYSTEMS IN THE AMOUNT OF \$398,323

Staff requested the Authority’s approval of the fiscal year 2008/2009 Interagency Agreement with the State Treasurer’s Office (STO) to provide administrative support to the Authority in the amount of \$398,323.00. Presented by Dona Yee.

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

Mr. Sheehy asked the nature of the \$59,000 increase in the contract.

Mr. Paparian responded that two things contributed to the increase, (1) IT costs beyond the normal rate of inflation and (2) that CPCFA is now fully staffed. There is a staffing prorata, an assignment of cost per staff.

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

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

C. REQUEST TO APPROVE AMENDMENT TO THE INTERAGENCY AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD (ARB) REGARDING THE CALCAP INDEPENDENT CONTRIBUTOR PROGRAM

CalCAP assists small businesses in obtaining financing. The Independent Contributor Program has been a very successful part of CalCAP. ARB has agreed to participate in CalCAP as an Independent Contributor. On June 25, 2008, the Board approved the Authority enter into an Interagency Agreement with ARB that would allocate up to \$500,000 of ARB funds toward the Independent Contributor Program from July 1, 2008 through February 28, 2010. Subsequently, ARB received additional funds to be used towards the program. As such, staff requested approval to amend the Interagency Agreement with ARB to increase the Agreement from \$500,000 to an amount not to exceed \$1,000,000. For every \$100,000 ARB contributes to the program, CalCAP will be able to leverage \$715,000 to \$1,250,000 in loans. Presented by Aaron Todd.

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

Mr. Sheehy asked if the additional funds from ARB will allow CalCAP to leverage additional loans for this purpose.

Mr. Todd responded affirmatively that the additional ARB funds will allow CalCAP to enroll more loans through the program.

Mr. Sheehy asked if those loans are used by different entities in order to do other retrofit activities to reduce diesel emissions.

Mr. Todd clarified that it is specifically for retrofits.

Ms. Redway asked if that was a pilot program for off road vehicles and if CalCAP is working with a few banks in the Central Valley.

Mr. Todd responded that CalCAP has banks in the Central Valley which have truck and other off road equipment loans. In addition, as a pilot program, ARB and CPCFA staff agree that CalCAP should start off small and see what kind of uses the program will have.

Ms. Redway commented that in December the ARB is going to pass much more expansive rules, including on-road diesel trucks. The ARB is envisioning using the same lending program statewide to help get low interest loans for truck retrofits.

Mr. Paparian added that a long term, bigger picture is that CPCFA can use the CalCAP program to align CPCFA financing with the policy goals of different state agencies.

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

Mr. Sheehy moved approval of the item; upon a second, the item was unanimously approved.

D. REQUEST FOR APPROVAL TO PROCEED WITH THE REQUEST FOR QUALIFICATIONS (RFQ) FOR LEGAL SERVICES

Staff requested Authority approval to proceed with a Request for Qualifications (RFQ) for legal services. Firms retained under contract provide a variety of legal services – including serving as Authority’s counsel on bond financings to the extent that those services are unavailable through the Attorney General’s Office. Current contracts with legal counsel firms will expire in February 2009. To maintain continuity of legal services, staff requested approval to begin the RFQ process now in order to have new legal counsel contracts in place prior to their expiration dates. Staff will come back to the Board early next year for final approval of legal firms. Presented by Dona Yee.

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

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

E. REQUEST TO APPROVE AMENDMENT TO SMALL BUSINESS ASSISTANCE FUND (SBAF) POLICY FOR THE BOND PROGRAM

Staff proposed amendments to the Small Business Assistance Fund (SBAF) Subsidy Policy for the Bond Program. The current SBAF subsidy is based on a formula of \$130,000 plus 1.6% of the par amount, up to a maximum amount of \$250,000. The proposed formula is based on \$130,000 plus 1.6% of par for bonds less than \$5,000,000; a \$5,000,000 bond would receive the maximum \$210,000 subsidy. For bond issuances above \$5,000,000, the formula would be \$130,000 plus 1.6% of par less 4% of the bond amount. There would be no subsidy for bond issuances over \$13,750,000. Staff anticipates a cost savings of 50%, or approximately \$1,250,000 annually. If adopted, the proposed change will be effective January 1, 2009. Presented by Ling Tse.

Ms. Redway commented that the report was a very nicely done.

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

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Mr. Sheehy said that it is important that CPCFA manage the fund properly so that as many of the small issuance, smaller entities have an opportunity to get assistance. He added that he is very supportive of this item. He then asked Mr. Paparian if there had been any opposition registered with CPCFA staff on this proposed policy.

Mr. Paparian responded no and that he actually worked with a number of the beneficiaries of the SBAF subsidy in crafting the proposal. The stakeholders understood the situation, and were all comfortable with the way staff is proceeding. They know what is in the report and are comfortable with it.

Ms. Redway commended staff for doing a very good job of laying out the SBAF situation over the last year. She was also impressed with how staff received stakeholders buy in.

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

Mr. Robert Feyer, Orrick, Herrington & Sutcliffe, commended the staff. He stated that this is an excellent proposal as a compromise between the interest of the Authority and interest of the users of the program.

Ms. Redway said that it was a lot of work.

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

Ms. Aronberg moved approval of the item; upon a second, the item was unanimously approved.

F. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REVENUE BONDS

Staff introduced Russell MacPherson, Beacon Corporation, Engineering Consultant; Thorton Lurie, Goldman Sachs; and Eric Guckel, BP.

1) **BP West Coast Products LLC** requested approval of Final Resolution number 00487 for an amount not to exceed \$100,000,000 to finance projects at the company's Carson refinery designed to meet the stringent clean fuels requirements while working to reduce the facility's environmental impact in the surrounding communities.

A representative itemization of some of the facilities making up the project includes, but is not limited to, the following:

- Benzene Saturation/Isomerization Complex
- Hydrogen Plant
- Fluid Catalytic Cracking Jet Cut Tower
- Alky Feed Depentanizer Tower
- Two Dehexanizer Towers
- Related Tanks, Piping, Utilities and Functionally Related Auxiliaries

Presented by Doreen Smith.

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Ms. Redway asked if there were any comments that the representatives wanted to add. The representatives declined to comment.

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

Mr. Sheehy moved approval of the item. The item passed with the following vote: Mr. Mr. Sheehy, aye; Ms. Redway, aye; Ms. Aronberg, opposed.

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 12:15 p.m.

Respectfully submitted,

Michael Papanian
Executive Director