

**MINUTES**

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
August 26, 2009**

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

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

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Ruth Holton-Hodson 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 July 22, 2009 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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, like the other Boards, Commissions and Authorities, CPCFA will be initiating an audio broadcast of the meetings over the internet. The broadcast will be closed captioned and the audio will be available after the meeting on the website for approximately 90 days.

Mr. Paparian explained that the logistics of the audio broadcast and other aspects of the CPCFA, California Industrial Development Financing Advisory Commission (CIDFAC), and California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) meetings are handled by the Office Technician team. He stated that Leosha Eves, Alanna Parker and Maricar Redoblado, continue to do great work making the meetings work well—producing the binders, preparing items for posting on the internet, preparing minutes, running the audio recording systems and the many other tasks that keep the Authorities moving along smoothly.

Mr. Paparian said that CPCFA is continuing to move forward with its statutory clean-up legislation, SB 872. It passed the Assembly Revenue and Taxation Committee unanimously

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on August 24, 2009. The bill will clarify and modernize provisions of the Authority's statute and allow staff to utilize vehicle financing entities in the California Capital Access Program (CalCAP) for its Heavy Duty On Road Truck Program with the California Air Resources Board (ARB) to assist truckers in meeting new clean air rules.

Mr. Paparian continued to report on the possibility of CPCFA reducing fees temporarily to stimulate more business for CPCFA. Staff is planning to come in September with a proposal to reduce the maximum Small Business Assistance Fund fee from 1% to 2/3 of 1%. Staff is also planning to recommend an alteration in its fee structure to recognize some potentially non-traditional projects that may apply for assistance without utilization of volume cap allocation.

Mr. Paparian stated that over the summer staff has seen an increase in both loans and claims in CalCAP. Staff is also seeing an indication that the recent shutdown of the State Small Business Loan Program at the Business, Transportation and Housing Agency is resulting in an increase in loan volume to CalCAP. As a result, a continued increase in loan volume is expected.

Mr. Sheehy asked if the CalCAP projects must have an environmental angle.

Mr. Paparian responded no. CalCAP includes almost any small business, from restaurants to day care centers.

Mr. Paparian advised the Board members that they will be hearing several items regarding the California Recycle Underutilized Sites (CALReUSE) program. The program has operated successfully for several years by providing forgivable loans for brownfield site assessment. To get the loan the applicant has to put up a hard dollar match of at least 15% of the loan value to show their commitment to the project. In recent months some applicants have sought to augment their initial loans with increased loan amounts. After consulting our Counsel, staff has concluded that the augmentations also require the 15% match. Some of the applicants and strategic partners are not happy about this, but absent a change in the regulations and direction from the Board, the CALReUSE Assessment Program will continue to require the 15% match on the whole loan amount.

### **A) Trustee Services for the California Capital Access Program (CalCAP)**

Staff is in the process of preparing a Request for Proposals (RFPs) to solicit Trustee Services for CalCAP. Conducting an RFP process for CalCAP Trustee Services is consistent with current Authority policy to look at and re-bid contracts at least every three years.

Currently, the Bank of New York Mellon Trust Company, N.A. is serving as Trustee for CalCAP and is providing good service. The current contract is a two-year contract with allowance for a one-year extension for an amount not to exceed \$125,000. With the one-year extension, it will terminate no later than August 31, 2010.

Staff proposes soliciting proposals to enter into a two-year contract with allowance for a one-year extension for an amount not to exceed \$160,000 over the term of the

contract. The primary driver of the increased cost of the CalCAP Trustee Services Contract is CPCFA's recent engagement by the ARB to provide assistance to small business truckers impacted by recently enacted On-Road and Off-Road Diesel Emission Regulations.

The new CalCAP Trustee contract is expected to be in place by January 1, 2010.

**4. BUSINESS ITEMS**

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

- 1) **Mission Trail Waste Systems, Inc.** requested approval of an Initial Resolution for an amount not to exceed \$8,500,000 to finance the acquisition of new alternative fuel collection vehicles as required to meet the conditions of the extension of its franchise agreement with the City of Santa Clara. Presented by Samantha Russell.

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt.

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

Ms. Redway asked if there was a motion.

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

- 2) **Garden City Sanitation, Inc., dba Livermore Sanitation, Inc.** requested approval of an Initial Resolution for an amount not to exceed \$24,410,000 to finance land acquisition, construction and to purchase vehicles and equipment. The company was recently selected by the City of Livermore to provide refuse and disposal services to residential and commercial customers in the city commencing in 2010 and the assets purchased will be used to provide those services. The company anticipates that the project will provide waste diversion and environmental benefits. Presented by Doreen Smith.

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt.

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

Mr. Sheehy asked about the principal shareholders. Mr. Pellegrini has the largest number of shares with both Garden City and the former applicant Mission Trail; he asked if Mr. Peleegrini is part of the management of both companies.

Mr. Holmstedt answered yes to both inquiries.

Mr. Sheehy asked if they are both separate entities or are they wholly owned subsidiaries of a larger company.

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Mr. Holmstedt responded that the family has a long history in the waste business in the Bay Area. The companies are independent. Mr. Pellegrini has the majority of shared interest in Mission Trail Waste Systems. Garden City was formed by Mr. Pellegrini and another gentleman from South San Francisco Scavenger Company, Blue Line, when they came together to bid on the San Jose contracts. They were very successful and are now bidding on the Livermore contract.

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

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson moved approval of the item; upon a second, the item was unanimously approved.

### **B. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REVENUE BONDS AND AUTHORIZE SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE**

- 1) **Musco Olive Products, Inc.** requested approval of a Final Resolution for an amount not to exceed \$3,200,000 in tax-exempt Industrial Development Bonds (IDB) allocation and a Small Business Assistance Fund (SBAF) Resolution for an amount not to exceed \$181,200 to finance a renewable energy wastewater and pollution control system. The company anticipates that the project will provide pollution control and environmental benefits. Presented by Samantha Russell.

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

Mr. Sheehy asked how the SBAF funds will be used.

Mr. Paparian responded the primary intention is to assist with the costs of issuance of the bonds.

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

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson moved approval of the item; upon a second, the item was unanimously approved.

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

Staff introduced R. Thornton Lurie with Goldman Sachs; Dean Fry with BP West Coast Products LLC (BP) and Russell McPherson with Becon Corporation.

- 1) **BP West Coast Products LLC** requested approval of a Final Resolution for an amount not to exceed \$51,000,000 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.

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, provide other incidental pollution control and air quality benefits, and help meet California's demand for cleaner burning fuels. The company is a very large business and will contribute up to \$510,000 to the CPCFA SBAF. Presented by Doreen Smith.

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

Ms. Redway asked if there was a motion.

Mr. Sheehy moved approval of the item.

Ms. Holton-Hodson stated that the State Controller's Office (SCO) will approve the item but wants to make it clear they do not often approve items for a company the size of BP, but given the unique circumstances of the carry forward fund in this case they will approve it. Ms. Holton-Hodson seconded the motion.

Mr. Sheehy commented that he is pleased that the Controller supports the project because he thinks it's important for the Board to do what it can for small businesses but thinks it is important to not discriminate against larger businesses, because the economic impact on the State is major. BP employs a lot of people, and pays a lot of property taxes which benefit schools, cities, counties and special districts. Such taxes are a very important source of revenue particularly in this recession. BP contributes a lot to the economy in terms of the various types of taxes it pays. Mr. Sheehy expressed his hope that the Board will continue to support projects regardless of the size to increase economic development.

The Chair called for the vote whereupon the item was unanimously approved.

**D. REQUEST TO APPROVE CONVERSION OF REVENUE BONDS FROM TAXABLE TO TAX-EXEMPT RATE AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION**

- 1) **BP West Coast Products LLC** requested approval of a Resolution to convert \$88,000,000 of Environmental Improvement Revenue Bonds (Atlantic Richfield Company Project) Series 1997 (Taxable) to Tax-Exempt Bonds in an amount not to exceed \$88,000,000. The company is also requesting \$88,000,000 in volume cap allocation.

The company is the successor of most of the operating assets of ARCO. The company provides crude oil refining and marketing operations. The bonds will refinance previous improvements to the company's refinery located in Carson in Los Angeles County. The company is a large business and will contribute up to \$616,000 to CPCFA's SBAF. Presented by Doreen Smith.

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

Mr. Sheehy said that adding the \$616,000 in SBAF funds being paid is a great contribution to the State and the CPCFA programs to help offset transaction costs for smaller companies. He noted that it is transactions such as this that provide the resources necessary to assist the Board in offsetting those transaction costs so that smaller companies can thrive and take advantage of the economic development tools available. Mr. Sheehy hopes that the Board would support that policy and he appreciates BP's contribution to the SBAF.

Ms. Redway asked if there were any further questions or comments.

Mr. Sheehy moved approval.

Ms. Holton-Hodson stated that the SCO will abstain and wants to see what the competition is for the carry forward funds over the three year period. If it looks as though near the end of the three year period we need to either use it or lose it, then the SCO would entertain supporting this item at that time.

Mr. Sheehy expressed his disappointment but stated he respects the Controller's point of view.

Mr. Sheehy asked the BP representatives if the savings they are going to get doing this conversion are going to be reinvested into their operations either by helping to further provide for a cleaner technology and to save either existing jobs or create new jobs.

Mr. Fry responded that BP is always investing in this refinery. The company is currently evaluating a recycled water project in Carson that is being engineered and evaluated. This is just an immediate example of how funds are being invested in the refinery for the betterment of the community.

Mr. Sheehy asked how many people are employed at the Carson Refinery.

Brian White, BP, responded about 3,000 people.

Mr. Sheehy reiterated his hopes that all of his colleagues on the Board would support these types of projects in the future because it is important to our economy and the state needs all of the economic development it can get right now.

Ms. Redway asked if there were any further comments and stated there was a second.

The Chair called for a vote and the item passed with the following vote: Tom Sheehy, aye; Bettina Redway, aye; and Ruth Holton-Hodson, abstain.

**E. REQUEST TO APPROVE RESOLUTIONS AMENDING INFILL GRANT AWARDS UNDER THE CALREUSE REMEDIATION PROGRAM (PROP 1C)**

Staff introduced Suheil Totah and Richard Rich of S. Thomas Enterprises and Pat Sabetha, counsel to the Railyards Project.

- 1) **S. Thomas Enterprises of Sacramento, LLC** requested approval to modify the Sacramento Railyards Project from a single \$14,750,716 project to two projects consisting of a \$5,000,000 Project A and a \$9,750,716 Project B. Project A would consist entirely of brownfields hazardous materials abatement of the “Shops Area,” predominantly cleanup of lead and asbestos in the buildings; and Project B would consist of the balance of approved eligible activities, predominantly soil mitigation of the surrounding area. Presented by Deana Carrillo.

Ms. Redway asked if there were any comments from the representatives.

Mr. Totah expressed his gratitude to the Board for the initial award. He stated that the company has begun some of the initial work, has hired a contractor and has completed the bidding process. They are ready to move forward and the company hopes to be back to the Board soon with another proposal.

Mr. Sheehy stated this is a high profile project and has received a lot of attention in Sacramento from both the state and local government. He asked Mr. Totah to give a high level executive summary of the overall timing of the project.

Mr. Totah explained that the total rail yard project will more than likely be completed within the next two decades. The project consists of fifty city blocks, doubling the size of Downtown Sacramento. The focus in the next two to three years will be the initial infrastructure work. S. Thomas Enterprises has been able to pull together through its public partners, the city, the state and the federal government, about \$300 million of infrastructure funding. This funding will provide over 4,000 jobs for the community. However, some of the state funds have been delayed and their staff is working on securing the federal stimulus funds they were awarded as well.

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As soon as the funds have been secured they will be put right to work and jobs will be created. The next three years will be focused on infrastructure; then the company can start building. Overall, the project's timeline is 20-25 years.

Ms. Redway asked if the infrastructure meant the laying of the roads and sewage lines as well as brownfield clean up.

Mr. Totah answered yes; it is the completion of the brownfield clean-up and utilities. It is relocating one of the main pieces of infrastructure, relocating the main line tracks back that will allow us to connect the city grid. So it is a mix of all those things you mentioned.

Ms. Holton-Hodson asked if the December deadline is not met, will it affect this piece of the project.

Mr. Totah responded no, it will not impact this piece of the project and his company is confident that the federal government will be cooperative in allowing them to meet their stimulus guidelines in order to get the money out on the street.

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

Ms. Redway asked if there was a motion.

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

- 2) **Martin Building Company**, the original Applicant and Awardee, and Urban Preservation Foundation requested approval to re-direct or transfer an Infill Grant award of \$2,148,471 from Martin Building Company to Urban Preservation Foundation for the 2235 Third Street Project in order to utilize tax credit allocation for the Project. Presented by Deana Carrillo.

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

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson moved approval of the item; upon a second, the item was unanimously approved.

## **F. REQUEST TO APPROVE RESOLUTION AUTHORIZING FUNDING ALLOCATIONS FOR STRATEGIC PARTNERS OF THE CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALReUSE) ASSESSMENT PROGRAM**

Staff requested the Authority's approval of a resolution to allocate funds to the Strategic Partners for the California Recycle Underutilized Sites (CALReUSE) Assessment Program for the purpose of funding loans under the Program.

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The proposed allocations will be for a six-month period and will carry the Strategic Partners through the end of the contract period, which is February 28, 2010.

The allocations will be available for the Strategic Partners to issue and enter into new loan agreements during this time period. The allocations were derived from an analysis of the Program's available funds under the current \$5 million funding level and prioritized based on the Strategic Partners' needs for funds and their likelihood of utilizing the funds over the time period. Presented by Deana Carrillo.

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

Mr. Sheehy asked Ms. Carrillo about the background section of the staff report; it says the partners operate under CPCFA but do not receive any payments for the program. What are the payments CPCFA provides?

Ms. Carrillo responded that the Strategic Partners operate under the "Zero Dollar Contract" meaning they do the work for no fee from the state.

Ms. Redway added that the dollar amount is for the loans given out to applicants; the Strategic Partners are not charging any overhead costs to the state.

Mr. Sheehy asked how the Strategic Partner is funded.

Ms. Carrillo responded that when the program was initially designed the Strategic Partners were going to be local governments. The state would give them funds to help assess the brownfields in their areas, and there was not a cost to CPCFA involved; the policy and the thinking at that time was that the local governments were receiving the benefit of increased sales tax and other revenue that would come later as these brownfields were identified and eventually re-used.

The allocation is an allocation of funds to the Strategic Partners to loan out within their areas. It takes a very strong skill set and expertise to administer these programs locally. CALReUSE also brought on a statewide Strategic Partner which also operates on a zero dollar contract. The current statewide Strategic Partner is the Center for Creative Land Recycling (CCLR) and it is their mission to educate and bring brownfield financing in revitalization.

Mr. Sheehy asked if these are loans to explore sites to see if they need remediation and if they do, then they can be an applicant for the brownfield bond money.

Ms. Redway responded they could, or they could find some other way to advance the project. Another way of looking at the Strategic Partners is that the whole world of brownfields is kind of a federal money. There are various different Strategic Partners and all have staff who are currently working with sites that need further investigation. By partnering with them, we eliminated a layer of bureaucracy for applicants so they did not have to reapply to another state agency all over again. They could work through the pipeline that local governments had already established for their priorities for developing infill brownfields.

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Mr. Sheehy then asked, what was the source of the \$5 million budgeted funds for the program.

Ms. Carrillo responded CPCFA collects fees when it issues bonds. As the fees accumulated over the years, CPCFA's overall account grew. At different times various administrations have developed new programs using those collected fees.

Ms. Redway added that the Angelides administration set up a \$10 million revolving loan fund for this purpose. The current administration has cut it back to \$5 million and we are not even sure whether we can sustain that for any significant length of time.

Mr. Sheehy asked if any of the loan program funds come from anything connected with the general obligation bonds.

Ms. Carrillo confirmed that no bond money is being used for the site assessment program and there is a line between these two programs. There is no co-mingling of funds.

Mr. Sheehy asked if CCLR was made up of local government type entities.

Ms. Carrillo responded no, CCLR is a non-profit organization that has a board of directors.

Mr. Sheehy then asked how they fund their operations.

Ms. Carrillo stated she would have to pose that question to CCLR directly to get an accurate response.

Ms Redway said she believes they receive multiple grants and seek funds locally and federally.

Mr. Paparian added that in addition to this program CCLR is also a partner in the Prop 1C Program.

Mr. Sheehy asked if CCLR was receiving Prop 1C money in that partnership.

Mr. Paparian responded yes, CCLR is helping to administer that program.

Ms. Redway added that CCLR has to submit invoices to us to show the work it has done and then we reimburse CCLR for some of that overhead. The money comes from the bond fund and is included in the administrative costs. Nobody was willing to participate in the Prop 1C Program on a zero cost contract.

Mr. Sheehy said he is aware that CCLR is engaged in lobbying related to Prop. 1C funding and asked for assurance that no Prop. 1C money would be used by CCLR for lobbying.

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Ms. Redway said that it is her understanding that when CCLR is reimbursed from Prop 1C, it is very carefully invoiced to CALReUSE and rigorously scrutinized. CCLR is not paying any lobbying fees out of bond money. She continued to state we do not pay them a percentage or a stipend. CCLR has to submit an invoice showing the actual work done that it is being reimbursed for. That is the way the clean-up contract under Prop 1C had been put in place, very specific, so we know what costs CPCFA is reimbursing CCLR for.

Ms. Carrillo reassured Mr. Sheehy that the issue he raised is one that CPCFA staff is aware of. She stressed that the invoices are scrutinized very carefully. Strategic Partners are asked for justification for the expenses, and staff does assure that the expenses are consistent with the contract, which is just for project related work.

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

Ms. Redway asked if there was a motion.

Mr. Sheehy moved approval of 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 11:36 a.m.

Respectfully submitted,

Michael Papanian  
Executive Director