

**MINUTES**

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
September 23, 2009**

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

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:46 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 August 26, 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 began with a reminder that the meeting is broadcast over the internet and recorded. The turnaround time on the recording is very quick – last month it was online within a few hours of the meeting.

Mr. Paparian said congratulations were in order for one member of the staff. Maricar Redoblado recently married

Mr. Paparian continued to report that the State Charitable Giving Campaign is going on right now. There is a friendly competition between units of the Treasurer's office and the Boards, Commissions and Authorities to get the most participation and the most volunteer hours for charities. Nancee Trombley is showing her persuasive skills as she coordinates the efforts in the office. She is doing a great job following on the work of Kamika McGill who helped steer CPCFA to bragging rights for the past two years.

As reported previously, staff has been seeking legislative changes to allow greater participation in the California Capital Access Program (CalCAP) Air Resources Board Clean Diesel Loan Guarantee Program. The proposal also includes a substantial update of the CPCFA statute, clarifying what projects can qualify for funding and recognizing new potential financing structures such as public-private partnerships. The legislation sailed through without opposition until the last night of the legislative session when it stalled due to partisan bickering unrelated to the merits of the bill. There is an immediate impact on the Truck Loan Guarantee Program since a number of lenders who were anxious to participate in the program must wait for a statute change. Staff is looking at options for bringing the bill up over the fall if there is a special session or if the regular legislative session reconvenes.

Staff is planning other adjustments in the CalCAP program and will likely bring regulations for Board consideration in November. The changes relate to handling claims and loan loss reserve accounts.

Mr. Paparian continued to report that the Internal Revenue Service (IRS) has released proposed changes to regulations governing tax exempt bonds for waste and recycling facilities. The regulations clarify some important items, including how to determine whether a recycling facility qualifies for tax exempt bonds. The IRS is accepting comments over the fall and is expected to finalize the regulations in early 2010. If they go into effect, staff expects more recycling and biomass facilities to qualify for financing.

#### **4. BUSINESS ITEMS**

##### **A. REQUEST APPROVAL TO PROCEED WITH THE REQUEST FOR PROPOSALS (RFP) FOR STRATEGIC PARTNERS UNDER THE CALREUSE ASSESSMENT PROGRAM**

Presented by: Deana Carrillo, Treasury Program Manager

Staff requested approval to initiate a competitive bidding process for private and local government entities to apply as a “Strategic Partner” under the California Recycle Underutilized Sites (CALReUSE) Assessment Program.

Current contracts with Strategic Partners will expire on February 28, 2010. To maintain continuity of services provided by Strategic Partners, staff must begin the Request for Proposals (RFP) process now to have new contracts in place prior to the expiration of the existing contracts.

The Program is currently operating under a \$5 million budget. As noted to the Board previously, staff will be conducting an analysis of the Program’s long-term viability and funding level, and will be establishing cash-flow projections in preparation of entering into contracts with Strategic Partners upon the conclusion of the RFP process. This financial analysis is necessary to ascertain what type of funding commitment is appropriate under the Program given CPCFA’s larger budgetary constraints.

## Agenda Item 2.

The RFP and contracts will be written to accommodate the possibility that CPCFA may potentially maintain, increase, or decrease the amount of funding currently available under the Program.

The contracts will be for zero dollars, and will be for two-year terms.

Staff recommended that the Board approve the initiation of a Request for Proposals process to solicit Strategic Partners for the CALReUSE Assessment Program.

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

Ms. Holton-Hodson asked for clarification of what is meant by “contracts for zero dollars”.

Ms. Carrillo responded the CALReUSE Assessment program operates under zero dollar contracts, which means no funds from CPCFA go to the Strategic Partners to operate the contracts.

Mr. Sheehy asked how the Strategic Partners recover their costs.

Ms. Carrillo responded local governments recover their costs over the long term as the sites are revitalized. They often administer the program in conjunction with other program funds. Our statewide Strategic Partner charges a minimal loan fee. There is only one statewide Strategic Partner who provides services where a local Strategic Partner is not available.

Mr. Sheehy asked how many Strategic Partners there were and if they were regional.

Ms. Carrillo responded that they are typically local government entities, currently the cities of San Diego, Emeryville, Berkeley and Oakland. Though most are in the Bay Area, CALReUSE has spent a significant amount of effort trying to engage Los Angeles as a Strategic Partner, but Los Angeles has not responded.

Mr. Sheehy asked where the statewide Strategic Partner, Center for Creative Land Recycling (CCLR) was located.

Ms. Carrillo responded that CCLR’s office is in San Francisco, but CCLR provides workshops and representation across the state.

Ms. Carrillo added that the City of Bakersfield was under contract as a Strategic Partner for awhile but dropped out due to the lack of ability to administer the program. CALReUSE will encourage participation by various entities across the state.

Ms. Holton-Hodson asked with the financial pressure on local governments right now, would staff have lower expectations for a large response rate to the RFP.

Ms. Redway responded that it would depend if a city's redevelopment entity focuses on brownfields or not. Emeryville has a staff that is quite sophisticated in brownfield revitalization while some entities may not focus on brownfields.

Ms. Carrillo stated that the Federal Stimulus Package awarded funding to the United States Environmental Protection Agency (EPA) for local governments to apply for brownfield redevelopment. If there has been an increase in the number of local governments that are administering EPA dollars, CALReUSE may see an increase of interest in partnerships. Some local governments are administering a number of different funding programs, this is one more tool in the mezzanine of funding that is available for brownfields.

Ms. Holton-Hodson asked how CALReUSE plans to get the word out about the RFP.

Ms. Carrillo stated staff has done a significant amount of research on what type of entities are in this field and will be reaching out to those stakeholders, as well as publishing the RFP on the Department of General Services website.

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. PROPOSED REGULATION CHANGES FOR THE BOND PROGRAM PERTAINING TO GENERAL FEES, SMALL BUSINESS ASSISTANCE FUND FEES, AND PROVISIONS RELATING TO SMALL BUSINESS FINANCINGS**

Presented by: Patricia Tanous, Treasury Program Manager

Staff requested approval to amend and file emergency regulations to modify the General Fees, Small Business Assistance Fund (SBAF) Fees, Eligibility for Assistance, and Assistance sections of the CPCFA regulations. The primary objective is to offer a SBAF fee reduction to encourage companies to accelerate issuance of tax-exempt bonds through CPCFA. Additionally, the changes address an issue with fees for a possible new structure for financings. These changes, if approved, will go into effect on October 12, 2009 after the Office of Administrative Law review period.

CPCFA currently has two fees that it charges large businesses: A General Fee of two tenths of one percent and a SBAF fee of up to one percent of the face value of the bonds issued. One of the changes requested is to reduce the current maximum SBAF fee from one percent to sixty-six one-hundredths of one percent of the face value of any tax exempt bonds issued.

## Agenda Item 2.

The other proposed change is the addition of a new fee category for an annual fee on any bond issued that is not eligible for allocation of volume cap and will be assessed a fee of one tenth of one percent of the face value of the bonds issued, and then an annual fee of five one-hundredths of one percent of the outstanding balance yearly, with a minimum of \$1,000 and a maximum of \$75,000 annually. The initial fee would be waived for small businesses. It is standard practice among the other issuing authorities to charge an annual fee. Typically, issuers charge between five and twenty basis points per year. The proposed fees would make CPCFA competitive with other issuers. The remaining requested changes clarify definitions.

Staff recommended adoption of a resolution to amend the CPCFA regulations and authorize staff to undertake emergency and permanent rulemaking proceedings and other actions related to regulation revisions.

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

Mr. Sheehy asked how are the proposed regulations made available for public review and was any feedback received from any past customers. He wanted to make sure that any interested parties had a chance to voice their opinions before the regulations are approved.

Mr. Paparian responded staff has spoken with representatives from some of the larger waste companies that would be affected by this in a beneficial way. They have not committed but have indicated support because it would reduce their fees and they are evaluating whether they can accelerate some of their financings. There is one company that has indicated it is very likely to accelerate a planned financing. Other companies have been going elsewhere for financing and are evaluating whether to come to CPCFA for financing. Staff has talked with some of the underwriters and financial advisors involved with some of the smaller business deals, including one that would be affected by the annual fee Ms. Tanous described. They had questions; but once some clarifications were made, they were comfortable with what staff was proposing. Everybody involved understands that as emergency regulations, they are in effect for six months and will have to be renewed. During the permanent regulation process, staff can address any additional concerns.

Ms. Redway asked if the proposal was out for some Public Comment.

Mr. Paparian responded staff circulated the proposal to some of the key players, participants in our processes, but we have not had a formal comment process. The formal comment process will take place during the coming months.

Ms. Tanous added that the staff summary was made public by being posted on the CPCFA website for the past week.

Ms. Holton-Hodson asked how much revenue is anticipated from the annual fee and how will that balance out the loss of the reduction in the other fee.

## **Agenda Item 2.**

Mr. Paparian responded two different types of projects are involved. Either a project falls in the regular fee that is charged or the new type of fee that is being suggested.

Ms. Holton-Hodson asked if all revenue collected from the fees goes to support all of the programs supported by CPCFA. The larger question is if reducing some fees would reduce the amount of money that goes to the SBAF account.

Ms. Redway clarified that CPCFA is opening a window of opportunity for large businesses to pay a reduced fee in an effort to accelerate business and to attract businesses that have gone elsewhere to return to doing business with CPCFA.

Ms. Tanous added that CPCFA has not issued any bonds other than \$100 million in refunding that the Board authorized in July 2009.

Ms. Redway continued to state the fee decrease is to help stimulate more revenue for CPCFA because it will bring in business. The fee changes are designed to increase revenue, and though one is a fee reduction, it is hoped it will increase the number of fee transactions.

Mr. Sheehy asked if the addition of the new fee is substantially less than what some of the other issuers charge.

Mr. Paparian confirmed that fees for a small business would be substantially less than what other issuers charge. Fees for a large business would be comparable to that of other issuers.

Ms. Redway asked if there was a motion.

Ms. Holton-Hodson 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 11:08 a.m.

Respectfully submitted,

Michael Paparian  
Executive Director