

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 24, 2010**

1. CALL TO ORDER & ROLL CALL

Patricia Wynne, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:45 a.m.

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Wynne asked if there were any questions or comments concerning the February 24, 2010 meeting minutes. There were none.

Ms. Wynne asked if there was a motion.

Ms. Bryant moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian stated that all CPCFA staff does valuable work and sometimes it is recognized even more when they are absent. Recently, Program Manager, Sherri Kay Wahl, took a well deserved four weeks off. In her absence Mr. Paparian's appreciation of her work, her institutional knowledge and her ability to help staff navigate through challenges has increased. Ms. Wahl has recently celebrated her 25th anniversary with the state.

Mr. Paparian reported that there are two water related projects for Board consideration this month. CPCFA's counsel from the Attorney General's (AG) Office looked over the recent changes in the statutory definition of project and viewed the definition more narrowly than was expected. As a result, staff will be seeking further legislative clarification this year.

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Mr. Paparian reported that CPCFA is developing an evaluation of the California Recycle Underutilized Sites (CALReUSE) Assessment Program. The Program evaluation will include a review of the Program's structure, funding level, and performance. CPCFA anticipates this process will be completed within the next nine to twelve months, and will bring the resulting recommendations to the Board for review.

CPCFA brought the administration of the statewide Assessment Program services in-house on March 1, 2010, and is currently negotiating an interagency agreement (IA) with the Department of Toxic Substances Control to assist with the environmental technical assistance. Staff anticipates the IA will be executed in early April for an initial term of up to one year.

In addition, CPCFA has extended contracts and allocations with selected governmental local Strategic Partners – Emeryville, Oakland, and San Diego, as permitted under state contracting guidelines, to continue operating the CALReUSE Program at a basic level during the program evaluation period.

Staff is continuing to execute legal agreements and disburse funds under the CALReUSE Remediation Program. There are currently 30 active awards, and 11 contracts have been executed totaling \$20 million to date.

Mr. Paparian further reported that Awardee's Commitment Letters are set to expire on April 19, 2010. Staff is anticipating several requests for extensions as permitted under the Regulations. Staff intends to be prudently flexible with extension requests given the current overall economic conditions and the effects of the State's fiscal crisis on these projects. The Executive Director has the delegated authority to approve extensions under the board resolutions approving each project.

Mr. Paparian said that the California Capital Access Program (CalCAP), is going through a transition with its trustee. CalCAP had been using Bank of New York. As previously reported, at the expiration of the current contract, Deutsche Bank won the bid for the new trustee contract.

Mr. Paparian reported to the Board the use of his delegated authority under the Bond Program. In the past month he approved a supplemental indenture and waiver of mandatory tender for Recology bonds from 2007. This action will help facilitate the new refunding and new money bonds that the Board approved at the February meeting.

He continued to report that with the consent of the AG's office, he signed a contract with the law firm of Kronick, Moskovitz, Tiedemann & Girard for up to \$40,000. The firm is assisting with a personnel related investigation. The overall investigation is ongoing and appropriate actions are being taken.

4. BUSINESS ITEMS

A. PROPOSED PERMANENT 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, Program Manager

On September 23, 2009, the Board granted approval to amend and file emergency regulations to modify General Fees, Small Business Assistance Funds (SBAF) Fees, Eligibility for Assistance, and Assistance sections of the CPCFA regulations. After review and analysis of the current regulations, an additional modification to the General Fees and Eligibility for Assistance categories has been added. Staff requested Board approval to amend and file permanent regulations to modify the General Fees, SBAF Fees, Eligibility for Assistance, and Assistance sections of the CPCFA regulations. To accomplish these changes it requires modification of the regulations:

- 1) To revise Section 8034 – General Fees to include two new categories of fees;
- 2) To revise Section 8035 – Small Business Assistance Fund Fees to lower the fees;
- 3) To revise Section 8042 – Eligibility for Assistance to define eligibility; and
- 4) To revise Section 8043 – Assistance to clarify who is eligible for assistance.

The primary driver of these changes 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.

Upon approval, staff will proceed concurrently with the emergency and permanent rulemaking process.

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

Mr. Paparian explained that the biggest change from the emergency regulations, that were previously approved, is the provision that if a small business has been issued more than \$25 million in bonds, it will pay the administration fee, either as a lump sum or an annual fee. The business will not be required to pay the SBAF fee. Staff received two informal comments from a stakeholder, who questioned whether it should be \$25 million cumulatively or whether CPCFA should only consider the previous 2-3 years. The stakeholder also suggested delaying the start of imposing this change until the end of the year. Staff will consider these suggestions in the permanent regulation process.

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

Ms. Wynne 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 INITIAL RESOLUTIONS REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Marina Coast Water District

Presented by: Samantha Russell, Analyst

Staff introduced Brian O'Connor, of Hutchinson, Shockey, Erley & Co. and Ryan Alameda of RMC Water & Environment.

Staff requested approval of an Initial Resolution for an amount not to exceed \$340,000,000 to finance the construction of a reverse osmosis desalination plant and a pump station and distribution pipeline for the product water. Staff intends to write and present a technology review prior to the Final Resolution.

Ms. Wynne asked if Mr. Paparian had any comments.

Mr. Paparian stated that staff is very happy to have a project like this coming forward. It is a good project and will solve a number of environmental issues in the Monterey area. It will provide an alternative to removing water from the Carmel River, which has been a long standing issue in the Monterey area. The company has engaged the community and dealt with concerns as they looked at the alternatives to the project.

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

Ms. Wynne asked if there was a motion.

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

2) Waste Recovery West, Inc., TDR Group LLC

Presented by: Doreen Smith, Analyst

Staff introduced Mark Hope of Waste Recovery West, Inc., TDR Group LLC and Dan Bronfman of Growth Capitol Associates.

Staff requested approval of an Initial Resolution for an amount not to exceed \$1,600,000 to finance the acquisition of land and the development of a scrap tire

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collection and recycling facility. The company anticipates issuing tax-exempt Industrial Development Bonds to fund the project.

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

Mr. Bronfman commented this is a fairly modest sized and meaningful transaction. The SBAF program is really important to the economics of this transaction. The company appreciates that CPCFA has made the SBAF program available.

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

Ms. Wynne asked if there was a motion.

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

3) San Jose Water Company

Presented by: Doreen Smith, Analyst

Staff introduced Angela Yip and Veronica Hsieh of San Jose Water Company and Leslie Lava, bond counsel.

Staff requested approval of an Initial Resolution for an amount not to exceed \$150,000,000 to finance improvements to its water supply system structures and facilities, distribution system and the acquisition of equipment.

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

Ms. Yip stated the company is very encouraged and privileged. They believe that the project will be great for CPCFA and for the citizens of San Jose who will benefit from the project.

Mr. Paparian informed the Board that CPCFA had received correspondence from the Public Utilities Commission expressing its encouragement of providing tax-exempt bonds for water companies, such as San Jose Water Company, as a way to assist them in quickly moving forward with projects and doing so at a lower cost which will ultimately result in lower costs to consumers.

Ms. Holton-Hodson asked how old the pipes were.

Ms. Yip answered that the company was incorporated in 1866; the company is 140 years old. There are different types, sizes and qualities of pipes.

Ms. Holton-Hodson asked what the older pipes were made from.

Ms. Yip responded the older ones were made from steel and the earliest ones from Redwood trees.

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

Ms. Wynne asked if there was a motion.

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

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

1) Mission Trail Waste Systems, Inc.

Presented by: Samantha Russell, Analyst

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt

Staff requested the amendment of Initial Resolution 09-07 for an amount not to exceed \$15,580,000. The original Initial Resolution was approved on August 26, 2009 for an amount not to exceed \$8,500,000. The company is currently requesting an additional \$7,080,000 to finance the purchase of Compressed Natural Gas vehicles, bins, carts, containers, and totes, along with other operational equipment. The company provides refuse and disposal services in the city of Santa Clara and will soon provide such services in the City of Los Altos.

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

Ms. Wynne 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. Wynne 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 11:05 a.m.

Respectfully submitted,

Michael Paparian

Executive Director