

MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 23, 2010

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:34 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg 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. Redway asked if there were any questions or comments concerning the May 26, 2010 meeting minutes. There were none.

Ms. Redway 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 started by stating that staff has been very fortunate to have some great interns working at CPCFA, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and the California Industrial Development Financing Advisory Commission (CIDFAC).

Jillian Franzoia has been with CPCFA since the beginning of the year, assisting with the California Capital Access Program (CalCAP). Jillian is a recent graduate of the University of Oregon. She will be starting a full time job at the California Museum in a few days.

Elizabeth Button is a law student from the University of San Francisco. She is helping draft regulations for the CAEATFA programs.

Alejandro Ruiz is an intern from University of California Berkeley. He has been helping in the development of a computer-based tracking system for CAEATFA and will be helping with other CPCFA and CAEATFA projects.

Mr. Paparian reported that staff has continued to see tremendous growth in the CalCAP Air Resources Board (ARB) Clean Diesel Truck Loan Program. As reported last month, staff had helped finance 212 trucks by late May. Since last month's meeting, the program has helped finance an additional 99 trucks, bringing the current total to 311 California trucks benefitting from the program.

Mr. Paparian said that staff is continuing to work on other opportunities with the CalCAP program. Staff is expecting to bring to the Board an agenda item in July or August to approve a \$5 million Interagency Agreement with ARB to use Federal American Recovery and Reinvestment Act (ARRA) Funds to assist off-road diesel equipment replacements. Staff is also continuing to monitor actions in Washington D.C. which could lead to an infusion of up to \$100 million into CalCAP. A small business assistance bill with provisions to bolster state capital access programs, has passed the House and is awaiting action in the U.S. Senate.

Mr. Paparian stated that he recently signed a contract with the Sjoberg-Evashenk Firm for up to \$139,880 to assist with an evaluation and recommendations for CalCAP.

Mr. Paparian continued to report that in the California Recycle Underutilized Sites (CALReUSE) Program, as the Board may have read in news reports, the Sacramento Railyard has issues with one of its project participants. Staff is monitoring the situation and has been in touch with the Railyard developer, the City of Sacramento and with the project participant.

The Bond program continues to see interest from intriguing projects. Staff has an application from a biomass facility which may come to the Board for action this summer.

4. BUSINESS ITEMS

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

- 1) Zero Waste Energy Development, LLC**
Presented by: Samantha Russell, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$23,225,000 to finance construction of an anaerobic digestion system for food and green waste material, land development, and infrastructure improvements which are required to operate the facility.

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

Agenda Item 2.

Ms. Redway said that the staff report stated the company gets the waste from various collection operations. She then asked, where does the waste come from?

Mr. Cone responded that the waste comes from restaurants, markets, delis, and anyplace where there is food.

Ms. Redway then asked if the waste is brought into a collection spot and left, then taken to a waste facility, or picked up during the normal collection process.

Mr. Cone responded he thinks it will be taken to the waste facility to the extent that the load is compatible, otherwise there are things being sorted at the company's Material Recovery Facility in downtown San Jose. Fractions of what is being sorted will be coming out of there as well.

Ms. Aronberg asked if there would be special bins – like compost bins?

Ms. Redway suggested that when the company comes back to the Board for its Final Resolution it can address the issue of how the waste is collected.

Mr. Cone said that he will provide the Board will a full answer at that time.

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

Ms. Redway asked if there was a motion.

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

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

- 1) BioFuels Energy, LLC
Presented by: Doreen Smith, Analyst

Staff introduced Drew Gottenborg of George K. Baum & Company, Ken Frisbie of BioFuels Energy and Harriet Welch of Squire, Sanders & Dempsey, L.L.P.

Staff requested approval of a Final Resolution for an amount not to exceed \$14,800,000 to finance the cost of acquiring, constructing and installing certain pollution control facilities for the collection, treatment, storage and disposal of biomethane gas generated at a sewage treatment plant. The company anticipates that the project will provide waste diversion, air quality, recycling benefits, energy efficiency, and climate change benefits.

Agenda Item 2.

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

Ms. Aronberg said that she is happy to see this project. She asked for an explanation of what fuel converted to fuel cells means.

Mr. Frisbie responded that the project at Point Loma Wastewater Treatment Plant is the third largest in California and they cannot use all of their methane gas so they flare a considerable portion of it. This process cleans the gas up so it can be used similarly to natural gas. The gas is then put into the pipeline. There are rules in California, implemented last fall, which allow the renewable gas to be put into the natural gas pipeline and nominate it for use in another location. This location is the University of CA, where the company will place a fuel cell. That fuel cell will technically be running off of renewable biogas from the Point Loma Wastewater Plant. Additionally, there is another fuel cell located in the City of San Diego that will be running off of natural gas; technically, because it is nominated gas, it will be running off of renewable gas. It is a way wastewater plants in California can deal with the flared biogas that they are currently flaring.

Mr. Frisbie added that the Mayor of San Diego and the Chancellor of the University of San Diego are very supportive of this project. This project is one of the largest renewable projects in San Diego.

Ms. Aronberg asked if he could describe a fuel cell.

Mr. Frisbie responded that a fuel cell is a power generation piece of equipment but it emits no emissions. The key thing is that it emits no emissions. So when it comes to air permitting, the company was able to get air permits within 30 days. The fuel cells are ARB compliant. Power is being created, but without the emissions that typical engines emit. The whole project will reduce about 33 million pounds of CO₂ out of the atmosphere.

Ms. Bryant asked if this is the first time this type of technology has been placed at a treatment plant.

Mr. Frisbie responded no. The technology is in various other facilities around the country, but not in California. This is the first of its kind in California because of the strict criteria that California has to be able to do this. This was made available based upon new regulations that came into play last year.

Ms. Redway commented that the project seems great and is a success story.

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

Ms. Redway 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 RESOLUTION AUTHORIZING THE REFUNDING OF REVENUE BONDS

- 1) Republic Services, Inc.
Presented by: Samantha Russell, Analyst

Staff introduced Ronald Lee of the Law Offices of Ronald E. Lee, Harriet Welch of Squire, Sanders & Dempsey, L.L.P. and David J. Hospodar of Bank of America Merrill Lynch.

Staff requested approval of a Resolution to issue refunding revenue bonds for an amount not to exceed \$164,860,000. The company proposes the refunding of \$164,860,000 in previously issued bonds \$20,655,000 to non-Alternative Minimum Tax (non-AMT) status and the remaining \$144,205,000 will be AMT status.

The company is refunding the bonds to realize overall savings on the current costs of the transactions and will achieve administrative convenience by reducing six separate transactions to one with an investment grade borrower as opposed to a parent company guarantee.

Certain of the provisions in the form of Indenture relating to transfer restrictions were negotiated and revised by the parties and counsel after the initial request for Board approval. The Indenture places restrictions on transfer of bonds during an initial period. It permits the Authority to determine when those restrictions will be eliminated. Prompted by those revised provisions, Section 9 of the resolution draft was modified to provide “by whom” those restrictions may be removed. The Resolution delegates to the Executive Director the power to determine when those restrictions will be eliminated in accordance with the Indenture.

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. Bryant 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

10:50 a.m.

Respectfully submitted,

Michael Paparian
Executive Director