

MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
February 22, 2011

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 11:04 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Pedro Reyes 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 January 25, 2011, meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the minutes; upon a second, the minutes were approved by the following vote: Bettina Redway, aye; Cindy Aronberg, aye; and Pedro Reyes, abstain.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian introduced the three newest CPCFA staff. Jayme Feldmann has joined the Bond team filling the position previously held by Doreen Smith before Ms. Smith was promoted to Manager. John Weir has also joined the Bond team in the compliance position previously held by Jason Bradley before Mr. Bradley was promoted to California Recycle Underutilized Sites Program (CALReUSE) Manager. The third person, Jillian Franzoia, joined the California Capital Access Program (CalCAP) team in a newly created position using some of CalCAP's new federal funds.

Mr. Paparian reported that CPCFA's biggest program news of the past month was that the U.S. Treasury approved the application of CalCAP and the Business Transportation and Housing Agency (BTH) for the State Small Business Credit Initiative funds. CPCFA is expecting the transfer of the first third of CalCAP's \$84 million share soon. Staff anticipates the funds moving through the state processes quickly and that CalCAP will be ready to start

spending the funds as soon as the emergency regulations are approved.

Mr. Paparian reported that the Bond program has several large projects continuing to move forward. The Poseidon Desalination Facility in Carlsbad is expected to submit an application to CPCFA soon. Poseidon has been working with the California Infrastructure and Economic Development Bank (I-Bank), but some project changes have resulted in questions about whether the I-Bank statute allows it to be the issuer. Staff will be talking to Poseidon later this week and should have a better understanding at that point as to how quickly Poseidon will proceed through the application process.

In the CALReUSE program, as Mr. Paparian has discussed over the past few months, staff is bringing the Site-Cleanup Grant and Loan Program (Prop 1C) in-house from its Strategic Partners effective March 1, 2011. Mr. Paparian further stated that this transition is stretching the CALReUSE staff resources; however, Mr. Bradley and his staff are handling the transition well.

4. BUSINESS ITEMS

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

1) Zerep Management Corporation

Presented by: Deanna Hamelin, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of an Initial Resolution for an amount not to exceed \$11,230,000 to finance the purchase and installation of equipment, which includes conveyors, sorting equipment, CNG powered waste collection vehicles, and waste collection containers. This equipment will allow for recycling a greater percentage of the current waste stream.

Ms. Redway asked if there were any questions or comments from the Board or 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 AMENDMENT OF INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Marina Coast Water District (MCWD) and Monterey County Water Resources Agency (MCWRA)

Presented by: Samantha Russell, Analyst

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Staff requested approval of an amendment to Initial Resolution 10-02 to add MCWRA as a co-applicant and increase the bond amount to \$415,000,000 to finance the construction of a reverse osmosis desalination plant, a pump station and distribution pipeline for the product water.

The Initial Resolution was approved on March 24, 2010, for an amount not to exceed \$340,000,000.

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

C. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS, SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE, AND TAX-EXEMPT VOLUME CAP ALLOCATION

1) Zanker Road Resource Management, Ltd.

Presented by: Samantha Russell, Analyst

Staff introduced Anthony Cone of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution and Volume Cap Allocation Resolution for an amount not to exceed \$4,945,000 to finance the acquisition and installation of equipment to increase the efficiency of the Construction & Demolition Debris Recycling facility owned by the Company. Staff also requested approval of a Small Business Assistance Fund (SBAF) Resolution in an amount not to exceed \$209,120.

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

Mr. Paparian reported that Zanker has another facility that does green waste composting and is also the first company to work with the Climate Action Reserve, which sets up protocols for addressing climate change related impacts of facilities and projects, to implement an organic waste composting protocol at its composting facility. Mr. Paparian stated that he felt some of the green waste flowing through these facilities will ultimately end up at Zanker's composting facility. Mr. Paparian further stated that he felt Zanker was a good, cutting edge company.

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

Ms. Redway asked if there was a motion.

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

D. REQUEST TO APPROVE EXTENSION OF FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS

1) CalAg, LLC, CalPlant I, LLC

Presented by: Deanna Hamelin, Analyst

Staff requested an extension of Final Resolution No. 511 to November 15, 2011. The Company received approval from the CPCFA Board on November 17, 2010, for a Final Resolution in an amount not to exceed \$175,300,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF). The current Final Resolution is set to expire on March 31, 2011. The Company anticipates securing a Private Placement of fixed rate tax-exempt bonds and issuing these bonds by November 2011.

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

E. CONSIDERATION AND APPROVAL OF AMENDMENTS TO REGULATIONS FOR THE CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

Presented by: Kamika McGill, Analyst

Staff requested approval to amend current CalCAP emergency regulations to expand access to the benefits of CalCAP primarily by amending the "Qualified Loan" definition and adding a new section in the regulations that relates solely to the participation in the SSBCI. Upon approval staff will proceed concurrently with the emergency and permanent rulemaking process.

Ms. Redway asked if amending the regulations would be ongoing and if CalCAP was adjusting or modifying to fit the federal guidelines.

Ms. McGill stated yes, CalCAP is adjusting to the federal guidelines and does anticipate ongoing changes.

Mr. Papanian stated the U.S. Treasury is updating its guidelines. CPCFA is basing its changes on the existing published guidelines. CalCAP staff is aware that the U.S. Treasury is changing its guidelines, but until the changes are actually made, it is difficult for staff to propose changes based on what staff thinks the U.S. Treasury will do. The

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U.S. Treasury changes will make the program easier to use and will allow CalCAP to remove some of the current restrictions. The resolution the Board approves will allow Mr. Paparian to make those types of adjustments without having to come back before the Board. Mr. Paparian also reported that it is quite likely over the next few months that staff will be submitting a series of emergency regulations as the U.S. Treasury continually updates its guidance to CPCFA.

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

Ms. Redway asked if there was a motion.

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

F. CONSIDERATION AND APPROVAL OF AMENDMENT TO REGULATIONS PERTAINING TO EQUIPMENT ONLY FINANCINGS FOR THE BOND PROGRAM

Presented by: Doreen Smith, Manager

Staff requested Board approval to file emergency regulations to amend and add a section to the CPCFA regulations pertaining to Equipment Only Bond Financings. Upon approval, staff will file the regulations with the Office of Administrative Law.

For equipment only financing, the useful life of the equipment is approximately 7 to 10 years. Since interest rates have remained at historically low levels, the spread between tax-exempt rates and conventional, LIBOR based rates has been very small, or non-existent. With this program, Applicants would have the chance to obtain financing using tax-exempt bonds that is initially at/or about the same cost that they would incur if they borrowed conventionally; however, they would potentially save substantial sums as interest rates rise over time and the more traditional tax-exempt/conventional spreads reoccur. Currently, the typical costs of issuance for these transactions are too high to justify any savings that may be obtained from a lower tax-exempt interest rate.

CPCFA has discussed this program with stakeholders, and parties typically on the financing team have agreed to accept the fee reduction which includes a set capped amount.

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

Ms. Redway asked if there was a motion.

Mr. Reyes 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 11:18 a.m.

Respectfully submitted,

Michael Paparian
Executive Director