

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
October 25, 2011**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 11:01 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director,
Department of Finance

Staff Present: Michael Paparian, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the September 27, 2011 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Reyes moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian introduced the newest member of the CPCFA staff, Trudy Hartman. Trudy is an Office Technician with prior experience at the Department of Corrections. Trudy joined CPCFA's hardworking administrative team.

Mr. Paparian reported that he went to Washington, DC for a series of meetings related to the federal funds CPCFA received for the California Capital Access Program (CalCAP). While there, Mr. Paparian had an opportunity to attend a meeting with other state representatives regarding state level Green Banks. Connecticut established such an entity a few months ago and several other states are exploring the same possibility.

The basic concept of a Green Bank is to consolidate and market financing programs related to

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clean energy and possible environmental financing. Between the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), CPCFA, the Public Utilities Commission and the California Energy Commission, California already has many of the components of a Green Bank in place. Mr. Paparian stated that he would be working with CAEATFA and others over the coming weeks to explore whether some of the Green Bank concepts are worth pursuing in California.

Mr. Paparian reported that a few years ago the Legislature passed Senate Bill 99, a bill to require Joint Powers Authorities and Conduit Bond Issuers such as CPCFA to provide regular financial information, among other things, to the Controller. Staff completed the 2009-2010 audit of its Bond Program required by the Controller. Staff also completed the FY 2010-2011 Conduit Financing Provider Financial Transactions Report. Both of these reports are posted on the CPCFA website. Staff is working on the FY 2010-2011 Bond Program audit and will have that completed within a few months.

Mr. Paparian further reported that this year the Legislature passed, and the Governor signed, three bills of interest to CPCFA that relate to CalCAP. Senate Bill 225 is an urgency bill that allows a specialized lease product, Terminal Rental Adjustment Clause (TRAC), to be included in CalCAP. TRAC leases are specific to trucks and operate much like a loan. The Board has a regulation change before it today which will lead CPCFA to allow TRAC leases for Air Resources Board funded CalCAP loans.

Mr. Paparian also reported that the other two bills, Assembly Bill 901 and Assembly Bill 981, are inter-related bills. These bills will allow CPCFA to return to a practice of enhancing its loan loss contributions in economically distressed areas, such as those with high unemployment; to expand the universe of lenders eligible to participate in CalCAP to include microbusiness lenders; and, to expand its annual reporting requirements to include additional information. The bills will also allow all federally certified Community Development Financial Institutions, non-profit and for profit, to participate in all CalCAP programs. The bills will make some adjustments as to how much interest CPCFA can sweep from loss reserve accounts to cover its administrative costs. AB 901 and AB 981 are not urgency bills, so those bills will take effect on January 1, 2012. Staff will be working on appropriate regulation and process changes over the next few months to implement these bills.

Mr. Paparian announced that the next CPCFA meeting will be in three weeks. Normally, the Authority has four or five weeks between meetings. It is having the November and December meetings earlier to accommodate holiday schedules.

4. BUSINESS ITEMS

A. APPROVAL OF 2012 MEETING CALENDAR

Presented by: Michael Paparian, Executive Director

Staff requested approval of the proposed 2012 meeting schedule presented to the Board for the California Pollution Control Financing Authority.

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.

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

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

Presented by: Jillian Franzoia, Analyst

The California Capital Access Program is the subject of legislation [SB 225 (Simitian), Ch. 492 of Statutes of 2011] that allows Terminal Rental Adjustment Clause (TRAC) Leases to be added to CalCAP. The approval of this bill by the Governor requires modifications to the CalCAP regulations and the urgency status of this bill allows for immediate implementation on October 6, 2011.

Staff requested approval to file emergency regulations amending the existing CalCAP regulations to include TRAC Leases as another funding instrument available to lenders participating in CalCAP's Independent Contributor Program.

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.

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

C. REQUEST FOR APPROVAL TO PROCEED WITH THE REQUEST FOR PROPOSALS FOR LEGAL SERVICES

Presented by: Dona Yee, Analyst

Staff requested Authority approval to proceed with a Request for Proposals (RFP) for legal services contracts for an amount up to \$550,000. To the extent that services are unavailable through the Attorney General's Office, firms retained under contract provide a variety of legal services including:

- serving as Authority's counsel on bond financings
- assisting with post-issuance tax compliance
- assisting in responding to Internal Revenue Service audits
- assisting and advising in developing financing programs
- providing guidance on other types of issues that require specialized knowledge of federal tax law in connection with bond transactions.

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Current contracts with legal counsel firms will expire on February 28, 2012. To maintain continuity of legal services, staff requested approval to begin the RFP process now in order to have new legal counsel contracts in place prior to current contract expiration dates. Staff will present its recommendation of selected legal firms early next year.

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.

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

D. REQUEST FOR REINSTATEMENT, EXTENSION AND AMENDMENT TO INITIAL RESOLUTIONS

1) Metropolitan Recycling, LLC

Presented by: Jayme Feldmann, Analyst

On September 27, 2011, CPCFA approved an Initial Resolution for Metropolitan Recycling, LLC and/or its Affiliates for an amount not to exceed \$6,175,000. In Section 7 of the Resolution it states that “this Resolution shall cease to be effective on September 27, 2011.” Standard CPCFA practice is to approve Initial Resolutions for three years. The expiration date on the Resolution should have read “September 27, 2014.” This was the intent of the company’s request and the Authority’s approval.

Staff recommended approval of a reinstatement, extension and amendment to Initial Resolution No. 11-09 for Metropolitan Recycling, LLC and/or its Affiliates for an amount not to exceed \$6,175,000.

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.

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

2) Central Valley Ag Power, LLC

Presented by Deanna Hamelin, Analyst

On September 27, 2011, CPCFA approved an Initial Resolution for Central Valley Ag Power, LLC and/or its Affiliates for an amount not to exceed \$3,155,000. In Section 7 of the Resolution it states that “this Resolution shall cease to be effective on September 27, 2011”. Standard CPCFA practice is to approve Initial Resolutions

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for three years. The expiration date on the Resolution should have read “September 27, 2014”. This was the intent of the company’s request and the Authority’s approval.

Staff recommended approval of a reinstatement, extension and amendment to Initial Resolution No. 11-10 for Central Valley Ag Power, LLC and/or its Affiliates for an amount not to exceed \$3,155,000.

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.

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

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

1) Poseidon Resources (Channelside) LP

Presented by: Deanna Hamelin

Staff introduced John Wang of Orrick, Herrington & Sutcliffe, LLP and Mr. Brian Dugan, Poseidon Resources

Staff requested approval of an Initial Resolution for an amount not to exceed \$780,000,000 to finance the construction of a reverse-osmosis desalination plant and associated water delivery pipelines.

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.

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

F. 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) Recycling Industries, Inc.

Presented by: Alejandro Ruiz

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt

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Staff requested approval of a Final Resolution and Volume Cap Allocation Resolution for an amount not to exceed \$7,265,000 to finance the acquisition of property and an existing building, renovation of existing buildings and the purchase of recycling sorting equipment to replace and expand capacity to divert an estimated 20,000 tons of material through recycling for project sites in Sacramento and Sutter Counties. The company also requested a Small Business Assistance Fund Resolution for an amount not to exceed \$155,640.

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.

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

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

1) CalAg, LLC, CalPlant I, LLC

Presented by: Deanna Hamelin, Analyst

CalAg, LLC and/or its Affiliates 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. On February 22, 2011, the Board granted an extension to the Final Resolution. The current Final Resolution is set to expire on November 15, 2011. The company anticipates securing a private placement of fixed rate tax-exempt bonds and issuing these bonds between the first and second quarter of 2012. Therefore, staff requested an extension of Final Resolution No. 511 to June 30, 2012.

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

Mr. Reyes asked if this project was close to finalizing.

Ms. Hamelin stated yes.

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.

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 11:14 a.m.

Respectfully submitted,

Michael Paparian
Executive Director