

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 19, 2012**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:43 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 May 15, 2012, meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian introduced two new staff members to the Board.

Mario Wong has joined the Bond Program as an analyst. He studied economics at Cornell and has an MA in Economics from San Diego State University. He has worked as a Financial Advisor.

Judy Pernell-Stevens received her degree in Education from CSU Sacramento and has a varied background in administration, accounting, personnel and quality control. Judy will be working as an analyst in the California Capital Access Program (CalCAP) and we expect to draw on her experience as we work to improve our compliance and oversight systems.

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Mr. Paparian reported that the 2011 CalCAP Annual Report was released recently and contains much more information than reports of prior years. Staff is trying to be responsive to the increasing demand for CalCAP information. As he has mentioned in past meetings and as the report shows, over 1500 loans were enrolled in CalCAP in 2011, a greater than 50% increase from the highest prior year. The map on page four of the report shows the geographic distribution of loans. Small businesses in 41 counties from throughout the state benefitted from CalCAP in 2011.

Mr. Paparian continued that in the California Recycle Underutilized Sites (CALReUSE) Program, the Board probably read about the fire at the Red Star Senior Apartments in Oakland. This project was under construction and was the beneficiary of one of the program's Prop. 1C remediation grants. Staff has been in touch with the developers and they indicate they plan to rebuild the project. Staff will be monitoring the situation to assure the conditions of the grant are met. One of those conditions being that housing be built as a result of the cleanup of the land at that site.

Mr. Paparian continued that in the Bond program, the Board approved a Final Resolution (FR) for Zero Waste Energy on March 20, 2012. The project approved was for the company to construct an anaerobic digestion system from organic materials collected by the company from its mixed waste processing at the Materials Recovery Facility (MRF) located adjacent to the Zanker Road Landfill on a site leased from the City of San Jose. The methane produced will fuel generators; the power produced will be used internally and the excess sold to PG&E. Land development and infrastructure improvement activities are required to construct and operate the facility.

At the time of FR approval, the project description also included two possible locations for a demonstration site – one in Watsonville and one in Gilroy. The demonstration facility was to be a much smaller but otherwise identical digestion system as the main project.

Prior to the bonds being issued on June 6, 2012, the company determined that it did not need either of these potential sites for the demonstration project using Bond proceeds. If the company builds a demonstration site, it will likely be located at the company's current Zanker Road Landfill location.

The Watsonville and Gilroy sites and associated costs were removed from the project description in the bond closing documents. The bond par amount remained the same and the costs associated with these sites were allocated to other qualified costs at the Zanker Road Landfill location as previously approved.

4. BUSINESS ITEMS

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

1) Agri Service, Inc.

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 \$3,065,000 to finance the installation of an aerated compost system located at its El Corazon Compost Facility, the construction of a scale house and site improvements and other essential operating equipment. The company anticipates that the project will provide waste diversion, air quality, water quality, and recycling benefits.

Mr. Gordon moved approval of the item; there was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

B. Mr. Reyes moved approval of Agenda Item 4.B.1. (Request to approve final resolution authorizing the issuance of revenue bonds and tax-exempt volume cap allocation in the amount of \$12,120,000, and small business assistance fund (SBAF) costs of issuance assistance in the amount of \$39,120.00 for Metropolitan Recycling, LLC). There was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

C. CONSIDERATION AND APPROVAL TO ISSUE A REQUEST FOR PROPOSALS TO SOLICIT LENDER PARTICIPATION FOR A \$10 MILLION LOAN PARTICIPATION PROGRAM

Presented by: Sherri Kay Wahl

Staff requested Board approval to issue a Request for Proposals (RFP) to solicit lenders for a \$10 Million loan participation program to aid in the creation of an additional small business credit support program to encourage lending for energy efficiency improvements in commercial buildings. The RFP will present a new concept for lender financing through a Property Assessed Clean Energy (PACE) program wherein a building owner will secure a loan for financing energy and environmental retrofits utilizing a portion of the State Small Business Credit Initiative (SSBCI) funds received by CPCFA. The program is envisioned to operate as a loan/assessment pool to create available needed capital at an affordable rate for borrowers participating in PACE programs. The program structure assumes CPCFA partnering with a lender (or consortium of lenders) to leverage private sources of capital to provide the capital bridge

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to businesses. Up to \$10 million is expected to be committed for this program.

The SSBCI funds awarded to California totaled approximately \$168 million and were split between CPCFA and Business, Transportation, and Housing (BT&H). Funds were initially approved to facilitate CPCFA's CalCAP Program and BT&H's Loan Guarantee Program. CPCFA has received the first \$27.8M of its share of the award. Per SSBCI guidelines, 80% of the first disbursement must be utilized prior to the receipt of additional funds.

Without broader participation in CalCAP, it is uncertain whether CPCFA will use the full allocation. So, in order to fully utilize the SSBCI funds CPCFA staff submitted a request to Treasury to approve an adjustment of the awarded funds to include both a Collateral Support Program (presented to the Board at its May 2012 meeting) and a Loan Participation Program.

Staff is finalizing development of the RFP for the Program while waiting for Treasury approval. Upon approval of the amended application, Treasury expects implementation of programs within 90 days. During the RFP process staff will continue to develop and refine the parameters of the proposed program so it will be ready to launch within the 90 day timeline. Upon completion of the RFP process, staff will return to the Board for approval of (1) the recommended lender and (2) a more fully developed program description.

Mr. Reyes said it is very creative of staff to reach out and get the experts to propose their own program that works within the parameters of what is already established and in recognition of what the Federal program requirements are. He commented that doing this, instead of having staff try to understand what the financial institutions have, is a very smart way to go and he commended staff for thinking outside of the box.

Mr. Reyes then moved approval of the item.

Mr. Gordon seconded the motion.

Mr. Gordon then asked for background, if staff could trace the history of the money.

Mr. Papanian responded that it came from the Small Business Jobs Act of 2010. There was a \$1.5 billion pot of money set aside for state level small business lending programs. Those programs are defined as either a capital access program or another credit support program. The other support programs are fairly loosely defined in the statute. US Treasury is charged with disbursing those funds and overseeing the program. US Treasury has suggested some programs that are common among a lot of states, although it is open to other programs that meet the general requirements of the Act. The proposed program falls in a combination of what Treasury suggested that is common among some states and it is also a little bit different from what states are doing. There are a number of states that have loan participation programs, but nothing in the PACE area, or nothing targeted in the way that this would be targeted. The money is part of the \$168 million in

allocation to California that came out of the \$1.5 billion.

Mr. Gordon asked how the money ended up at CPCFA.

Mr. Paparian responded that there are two big lending programs in state government. There is the Small Business Loan Guarantee Program at BT&H and then the CalCAP Program. CPCFA got together with BT&H, with the Governor's blessings, and agreed that the funds would be split 50/50. At the time, it was the end of the Schwarzenegger administration, beginning of the Brown administration.

Ms. Redway added that the Federal program clearly anticipated giving money to CAP programs and CPCFA runs the CAP program.

Mr. Gordon stated that there was no criticism implied; he just wanted to understand exactly what the lineage was.

He then thanked Mr. Paparian for his explanation.

Ms. Redway stated that she too looks forward to seeing what feedback staff gets back and hopes there are some interesting ideas out there.

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

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 10:57 a.m.

Respectfully submitted,

Michael Paparian
Executive Director