

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
September 18, 2012**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:31 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 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 August 21, 2012, 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 reported that one of the CPCFA employees, Dona Yee, is retiring at the end of this month. Dona has had a long career with the state. Dona has worked for the Department of Mental Health, Department of Motor Vehicles (DMV), California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), Office of Emergency Services and CPCFA. At CPCFA, she has worked on the California Capital Access Program (CalCAP) and currently manages contracts. The staff is going to miss Dona and her fellow co-workers wish her the best in her retirement.

Mr. Paparian further reported that one piece of legislation that passed and was signed by the Governor, SB 1116, affects CalCAP in a small way. It extends the amount of time lenders have to submit paperwork from 10 days to 15 days. This will help some of the smaller institutions and

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allow some flexibility in terms of contribution rates from lenders in CalCAP. Currently, the contribution rate is between 2 to 3.5% of the loan value coming from lenders and borrowers. The new legislation widens that to between 1 to 3.5%.

Mr. Paparian stated that he is required to report to the Board on any contracts under \$300,000 that are signed under his delegated authority. Mr. Paparian recently signed a contract with the Treasurer's office for rent and security for just over \$94,000. This is about \$20,000 more than last year and reflects an increase in square footage charges from \$1.12 to \$1.33 per square foot as well as a 20% increase in security costs, and a 5% increase in the occupied square footage.

Ms. Redway commented that Dona Yee will be missed.

4. BUSINESS ITEMS

A. REQUEST FOR APPROVAL OF INTERAGENCY AGREEMENT WITH THE STATE TREASURER'S OFFICE FOR SUPPORT PROVIDED BY THE STATE TREASURER'S EXECUTIVE OFFICE, ADMINISTRATION DIVISION AND INFORMATION SYSTEMS IN THE AMOUNT OF \$409,823.00

Presented by: Diana Michaelson

Staff requested approval of the fiscal year 2012/2013 Interagency Agreement with the State Treasurer's Office (STO) to provide administrative support to the Authority in the amount of \$409,823.00.

Mr. Reyes moved approval of the item.

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

B. REQUEST TO APPROVE AMENDMENTS OF INITIAL RESOLUTIONS REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Poseidon Resources (Channelside) LP and San Diego County Water Authority (SDCWA)

Alejandro Ruiz, Analyst

Staff introduced Brian Dugan of Poseidon and David Shank of SDCWA.

Mr. Reyes moved approval of the item before staff presented.

The request is an amendment to Initial Resolution 11-06 for an amount not to exceed \$780,000,000 to finance the construction of a desalination plant and pipelines to supply water to the San Diego area. Poseidon and SDCWA are requesting an amendment to the Initial Resolution to add SDCWA as a co-applicant and to identify the financing plan for the two portions of the project: (1) the desalination plant and (2) the associated pipeline. The applicants anticipate issuing two series of bonds: (1) up to approximately \$550,000,000 in private activity bonds will be issued on behalf of Poseidon to finance the

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desalination plant and (2) up to approximately \$230,000,000 in governmental purpose bonds will be issued on behalf of SDCWA to finance the pipeline.

There was a second.

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

Mr. Gordon asked what the estimated cost per acre foot of the water is at this point in time. He would like to get an idea of the anticipated cost.

Mr. Dugan stated that there is a cost from Poseidon for the water and there is also a cost that the SDCWA is bearing to upgrade some of its existing facilities. The range of estimates will depend on the interest rate on the bonds, but the cost estimate range is anywhere from \$1,900/acre foot to approximately \$2,300/acre foot. Mr. Shank confirmed that the estimate includes all costs including the SDCWA's incurred costs.

Mr. Gordon asked what the cost would be if the SDCWA's upgrade costs were removed. Are the upgrades specifically related to delivery of the Poseidon water to the retail customers, or are these costs that the SDCWA would incur regardless of whether it goes forth with the desalination project?

Mr. Shank replied that these costs are for repurposing some of the existing assets held by the SDCWA. The assets are going to be converting from a gravity feed to a pressure pipe. SDCWA only has wholesale customers, so the water will be conveyed to a point in its distribution system where it can then be conveyed to the member agencies.

Mr. Gordon queried whether these costs are directly related to the desalination project. What is the cost at this time for recycled water to the SDCWA?

Mr. Shank stated that he was not familiar with those particular costs, but he believes that the cost estimate runs around \$2,500. There are a couple of pilot projects that are currently in the region, but there are no large scale projects for recycled water.

Mr. Gordon asked how much SDCWA is paying the Metropolitan Water District (MWD) at this time for water that is being transported across from the state water project.

Mr. Shank replied that he believed the MWD tier one subtotal for water delivery is \$750 to \$790.

Mr. Gordon then asked what the estimates are for the MWD's costs going forward assuming that it is going to be taking on the costs of an alternate conveyance across the delta and other projects that it is anticipating going forward for the rate payers.

Mr. Shank stated that the cost estimates for the bay-delta fix are pretty wide. The exact impact is not clear, but estimates are about \$200/acre foot.

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Mr. Gordon asked if that is in addition to what it is paying today in which case it would increase the cost from \$790 to \$990 somewhere in that vicinity?

Mr. Shank replied yes.

Mr. Gordon then asked what the current cost is for water coming from the Colorado River being wheeled from the MWD out of the Imperial Valley.

Mr. Shank stated that the cost of the water that is wheeled by the MWD is approximately \$1,000.

Mr. Gordon thanked Mr. Shank.

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

Ms. Redway stated that there was already a motion and a second. The item was unanimously approved.

2) **NASA Services, Inc.**

Presented by: Deanna Hamelin, Analyst

Staff introduced Dan Bronfman of Growth Capital, Financial Advisor to NASA Services.

Staff requested approval of an amendment to Initial Resolution Number 12-04 for an amount not to exceed \$15,900,000 to delete two project locations, 901 Union Street in Montebello and 1746 Naud Street in Los Angeles and to add new project locations, 1100 and 1112 South Maple Avenue in Montebello.

The Initial Resolution was approved on May 15, 2012 in the amount of \$15,900,000 to finance the acquisition and installation of waste collection equipment, which includes CNG powered collection and service vehicles, bins, carts, tubs and containers, to provide waste collection and recycling services pursuant to a contract approved by the City of Pico Rivera. In addition, bond proceeds will be used to acquire a site and existing buildings along with CNG powered collection and service vehicles.

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.

C. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND APPROVE TAX-EXEMPT BOND VOLUME CAP ALLOCATION

1) Best Way Disposal Co., Inc., dba Advance Disposal Co., Inc.

Presented by: Mario Wong, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt and Robert Feyer of Orrick, Herrington & Sutcliffe.

Staff requested approval of a Final Resolution for an amount not to exceed \$15,600,000 to finance an expansion of the company's Materials Recovery Facility (MRF) and make related improvements. The company provides refuse collection and disposal services in San Bernardino County and anticipates that the project will provide water quality, recycling, tax revenues and jobs benefits.

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

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. 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 10:44 a.m.

Respectfully submitted,

Michael Paparian
Executive Director