

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 18, 2013**

1. CALL TO ORDER & ROLL CALL

Michael Paparian, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:30 a.m.

Members Present: Michael Paparian for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Jennifer Rockwell for Ana J. Matosantos, Director of Finance

Staff Present: Reneé Webster-Hawkins, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Mr. Paparian asked if there were any questions or comments concerning the May 30, 2013 meeting minutes. There were none.

Mr. Paparian 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

Ms. Webster-Hawkins stated that she is delighted to serve as lead staff of her first regular meeting of the CPCFA. As she mentioned at the meeting on May 30, 2013, she feels particularly fortunate to take the reins of a healthy and robust agency, having been under the leadership of Mr. Paparian. Ms. Webster-Hawkins stated that she is even luckier that he remains here at the State Treasurer's Office (STO) to provide mentoring to her and valuable continuity to the programs of the Authority.

In her first weeks, Ms. Webster-Hawkins' focus has been on learning and listening to the staff, the leaders within the STO, and their external partners and stakeholders who are critical to the success of the financing programs. She sees her primary charge is to uphold the Authority's reputation as providing a high level of customer service to its financial and business partners in the private sector, as well as its sister agencies, while identifying specific

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ways to improve its products and strategies to assist with financing environmental and small business projects.

Ms. Webster-Hawkins stated that across the board, staff is working hard to improve the uptake of their programs, and also to implement more effective and efficient ways of administering them. As the State of California slowly emerges from the economic recession, the Authority's charge is to identify improvements to its financing strategies to attract those investors and lenders that are willing to take some risk, or to identify and reach out to niche markets that are not yet participating.

Ms. Webster-Hawkins briefly recapped staff's efforts in each of the programs, starting with the Bond Program. She stated that staff are nurturing relationships with developers and fielding cold calls from potential applicants. The entrepreneurial spirit seems to be returning in the market, but applications are slow to materialize. She also noted that staff is implementing improved business procedures to facilitate compliance, consistent with Internal Revenue Service requirements.

Ms. Webster-Hawkins then reported that the Sustainable Communities Grant and Loan Program (SCGL) has sunsetted, with all reimbursements submitted. Staff intends to present the final results of the program to the Board in September.

Ms. Webster-Hawkins noted that the Site Assessment Program is working well, and staff's intention is to reach out to the Department of Toxic Substance Control (DTSC) to continue the program with available monies from the Small Business Assistance Fund (SBAF).

Ms. Webster-Hawkins then stated that staff is working with the Department of Housing and Community Development (HCD) to improve the administration of the Remediation Program funded by Proposition 1C. In particular, they are looking to improve the process for reimbursement payments to the grantees by permitting the Authority to transmit the payment warrants directly to the State Controller's Office (SCO), reducing the turnaround time to the grantees by up to four weeks. She stated that they hope to amend the Interagency Agreement (IA) with HCD in the coming months.

Ms. Webster-Hawkins then reported on the California Capital Access Program (CalCAP). She stated that the CalCAP program is busy. It is an incredibly well-performing team, given the high volume and even higher expectations for performance.

Staff has had contact with representatives from the U.S. Department of Treasury (Treasury) over the last three weeks. Ms. Webster-Hawkins stated that Treasury is particularly concerned about the burn rate of the State Small Business Credit Initiative (SSBCI) funds nationwide, and is offering consulting and technical assistance to states to increase the uptake of the programs. Because California received the largest share of funds, Treasury is particularly supportive of their efforts to refine and press the program. She stated that Treasury hosted focus groups with bank and credit unions to identify the successes and challenges with those groups. Staff attended the SSBCI national conference in Dallas, and gained specific information from other states that will help them improve their Loan Participation Program

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(LPP). Staff will be presenting those improvements at the July meeting.

Ms. Webster-Hawkins reported that staff participated in a joint presentation in Los Angeles hosted by the California Department of Financial Institutions, to encourage lenders to participate in the LPP program. Mr. Cliff Kellogg from Treasury made a personal appearance to pitch the programs to the attendees.

Ms. Webster-Hawkins stated that even though there is high interest in accelerating California's participation, there is some good news. She reported that California is #4 nationally in program obligations and expenditures thus far. Treasury ranked the top participating banks nationally and two California banks were identified: Pacific Enterprise was ranked #2, with 102 loans averaging \$300,000 each and Opportunity Fund was ranked #15, with over 1200 loans averaging \$8,000 each.

Ms. Webster-Hawkins then stated that the last statistic demonstrates an emerging fact about CalCAP. It is widely reaching the smallest of businesses in California, providing much-needed working capital for operations and equipment. She then stated that it also means that the program is more labor intensive for staff than previously anticipated, as the time and effort to process each loan remains relatively constant regardless of the loan amount. Ms. Webster-Hawkins reported that CalCAP staff are actively working with the Office of Business and Economic Development (GoBiz) which will be taking over the administration of the Small Business Loan Guarantee Program from Business, Transportation & Housing Agency (BT&H) as of July 1, 2013. They will be collaborating on program and expenditure reporting, as well as compliance, to ensure that the State partners under the federal grant continue to perform well.

Ms. Webster-Hawkins stated that she is incredibly impressed with the staff within the Authority and the Treasurer's Office, and wants to thank each and every one of them for making her welcome and on-ramping as smooth as possible. There is a lot to learn, and she is grateful for everyone being so forgiving as she hunts and pecks her way through these great programs and figures out how best she can add value.

Ms. Webster-Hawkins continued, wanting to applaud the CPCFA staff for hosting Tropical Thursday and bringing a Polynesian vibe to the building. She felt it was a great kick-off to the summer months, and staff earned over \$800 to dedicate to the Employee Advisory Committee (EAC) activities here at the STO. It also gave her a great excuse to break out her ukulele.

Ms. Webster-Hawkins also wanted to vigorously applaud CPCFA's very own Nancee Trombley, manager of CalCAP, on her dedication in pursuit of her Master's of Business Administration. She just celebrated her cap and gown ceremony at California State University at Monterey Bay.

Lastly, Ms. Webster-Hawkins wanted to thank Sherri Wahl for her support, mentoring and friendship. She has trained many Executive Directors here at the Authority, and it would have been easy for her to say "enough is enough." Ms. Webster-Hawkins is the direct beneficiary of her tenacity and dedication to these programs. She stated that it is difficult to imagine

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taking on this role without her leadership, technical expertise and historical knowledge at her side.

Ms. Webster-Hawkins went on to report on actions under the Executive Director's delegated authority, including two contracts that Mr. Papanian signed while he was still Executive Director. She began with the amended Interagency Agreement for CALReUSE with DTSC, [Contract # CPCFA13-09], to extend the term of the Technical Assistance contract [until May 31, 2014].

Ms. Webster-Hawkins then reported on the amended contract with consultant firm Montague DeRose and Associates, [Contract # CPCFA10-10], who provides financial consulting services for the Bond Program, to extend the term to June 28, 2014.

Ms. Webster-Hawkins continued, reporting on a new contract with CPS HR Consulting to perform workload and staffing analysis of all the programs, [Contract # CPCFA12-12]. She reported that the company will be looking at all of the workload of the Authority's programs, as well as the extent to which some of the programs and business processes overlap with California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Ms. Webster-Hawkins is hoping for recommendations at the culmination of this analysis that will support either increased staffing levels at the Authority or other resources that it may bring on to carry on its programs. The contract total comes to \$46,750.

Ms. Webster-Hawkins reported that yesterday, she exercised her delegated authority under the Bond Program by signing legal documents to replace the trustee from U.S. Bank to Wells Fargo Bank for several bond issues including Burrtec Waste and Recycling series 2006A; Desert Properties 2006B; and EDCO series 1996A, 2004A and 2007A. She stated that these changes were made at the company's request.

Mr. Papanian asked if there were any questions concerning the Executive Director's Report. There were none.

4. BUSINESS ITEMS

A. CONSIDERATION AND APPROVAL REQUEST OF UPDATES TO THE COLLATERAL SUPPORT PROGRAM TO BE ADMINISTERED BY THE CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

1) Presented by: Emily Jarrett, Associate Treasury Program Officer

On February 17, 2011, CPCFA was awarded approximately \$84M in SSBCI funds by the Treasury to fund programs that help small businesses obtain capital. At the time of the award, only CPCFA's CalCAP was utilizing these funds as an approved participating State program. In March 2012, CPCFA requested Treasury approval to include a Collateral Support Program (CalCAP CSP) to utilize a portion of the allotted SSBCI funds.

In May 2012, staff obtained CPCFA Board approval, including proceeding with the

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adoption of emergency regulations, to begin administering the CalCAP CSP upon Treasury's approval. Subsequent to the May Board meeting, CalCAP staff actively solicited stakeholder input on the CalCAP CSP. As a result of Treasury and stakeholder input, CalCAP staff requested and obtained board approval for various refinements to CalCAP CSP in December 2012.

Treasury approved the launch of CalCAP CSP effective January 17, 2013, and staff launched CalCAP CSP statewide on January 28, 2013. Additional stakeholder input, as well as CalCAP CSP staff experience enrolling loans, necessitates some additional refinements to the program. These modifications include specific provisions to accommodate bridge financing, as well as greater wide spread flexibility to all users of the program by allowing lenders to select their own term of support. Staff requested the changes to increase participation and facilitate the flexibility and ease of use of the program, and to allow CalCAP CSP to provide the best benefit to the small business lending community.

Mr. Paparian asked if there were any questions or comments from the Board or public. There were none.

Mr. Paparian asked if there was a motion.

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

B. REQUEST TO APPROVE RESTATEMENT AND EXTENSION OF INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Sierra Pacific Industries

Presented by: Deanna Hamelin, Associate Treasury Program Officer

Staff introduced Walt Vennemeyer, Financial Advisor of Progressive Capital

Staff requested approval of the restatement and extension of Initial Resolution (IR) 10-09 for an amount not exceed \$45,000,000 to finance solid waste disposal and cogeneration facilities at the company's existing lumber manufacturing plant located in Anderson.

The IR was approved on July 28, 2010 with an expiration date of July 28, 2013. The company requested the IR extension in anticipation of submitting an application for Final Resolution, volume cap allocation approval, and bond issuance after this expiration date. The project remains the same as was presented at the July 28, 2010 meeting.

Mr. Paparian asked if there were any questions or comments from the Board or public.

Mr. Vennemeyer stated that it has been a long haul; they are almost there. They have

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all of their approvals and permits, except the Environmental Protection Agency's (EPA), and have been told that they should have that around the end of July.

Mr. Paparian asked if all of the California Environmental Quality Act (CEQA) issues and other local permitting are completed.

Mr. Vennemeyer responded that everything is complete.

Mr. Gordon then asked Mr. Vennemeyer to describe to him what the fuel load is going to look like for the cogen plant and what the composition of the fuel load is.

Mr. Vennemeyer answered that first and foremost, the company will use yard waste. That will provide most of the needed fuel. Right now, the waste is being sold or trucked to a waste disposal facility. So they will reutilize that. He explained that in the Anderson area, there is a lot of brush that is currently being sold to distant locations that instead will be used at the plant.

Mr. Gordon asked if this was not necessarily in regard to the timber operations, if this would be wild fire treatment or felling operations related.

Mr. Vennemeyer responded that it could be, but that the company itself does not do that. He stated that the company does have subcontractors who cut the timber and clear the property and depending on where it is, that would also be part of the fuel mix.

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

Mr. Paparian 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 EXTENSION OF FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS

1) CalAg, LLC, CalPlant I, LLC

Presented by Deanna Hamelin, Associate Treasury Program Officer

Staff introduced Gerald Uhland of CalAg, LLC.

CalAg, LLC received approval from the CPCFA Board on November 17, 2010 for a Final Resolution (FR) in an amount not to exceed \$175,300,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF). On November 13, 2012, the Board granted an extension to the FR. The current FR is set to expire on June 30, 2013. The company anticipates securing a Private Placement of fixed rate tax-exempt bonds and issuing these bonds between the third and fourth quarter of 2013. Therefore, the company requested an extension of Final Resolution No. 511 to December 31, 2013.

Mr. Papanian asked if there were any questions or comments from the Board or public.

Mr. Uhland stated that for investors of these bonds, the progress is very good news. CalAg's equipment supply company in Germany has engaged its bank to provide a taxable loan as a part of the financing for this project. He stated that the loan would be guaranteed by the German government. The German government is requiring that the equipment supply company provide additional assurances for this project in general: increased guarantees for the plant's capacity, product quality, raw material consumption, and completion guarantees. Some of these guarantees the company has never had before. Mr. Uhland then stated that it will be a windfall for investors in this project, both debt and equity, that this project will be guaranteed by the world's largest equipment supply company, Simple Camp. It has a 70% global market share and is very confident in this process and the idea to take this technology worldwide.

Mr. Gordon asked if there were other facilities making this kind of rice straw based fiberboard out there right now.

Mr. Uhland answered that unfortunately, there are not. There is no plant to go to and watch this happen. He stated that the company has been manufacturing the rice straw based fiberboard for the last ten plus years at leased pilot plants then delivered the board to end users.

Mr. Gordon then asked if the board will be equivalent to fiberboard based materials that have been used.

Mr. Uhland responded that if he had a wood based MDF and a rice straw based MDF, one could not tell the two apart. One of the things the company has done is gone out and pre-sold this board for 20 years, so 100% of the plant's capacity is pre-

sold.

Mr. Gordon asked if the board uses the same kind of glue as other things that are used in the wood based products.

Mr. Uhland answered that it does. It uses a Methylene Diphenyl Diisocyanate, or MDI, resin that is being widely used in the wood based industry. It's formaldehyde free so it currently meets all of the California Air Resources Board (CARB) regulations.

Mr. Gordon thanked him.

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

Mr. Paparian asked if there was a motion.

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

D. REQUEST APPROVAL TO AMEND INTERAGENCY AGREEMENT CPCFA06-12 WITH THE STATE TREASURER'S OFFICE

1) Presented by: Diana Michaelson, Associate Treasury Program Officer

Staff requested Board approval to amend the current IA between the CPCFA and the STO. Due to implementation of STO's docM (FileNet) document management system, the current IA (CPCFA06-12) must be increased by \$11,707 for Fiscal Year 2012/13. When amended, the total amount of the IA will be \$421,530. The IA will expire June 30, 2013.

Mr. Paparian asked if there were any questions or comments from the Board or public. There were none.

Mr. Paparian asked if there was a motion.

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

5. PUBLIC COMMENT

Mr. Paparian 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 10:52 a.m.

Respectfully submitted,

Reneé Webster-Hawkins
Executive Director