

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
July 16, 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
Julio Martinez 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 June 18, 2013 meeting minutes. There were none.

Mr. Paparian asked if there was a motion.

Ms. Rockwell moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins began with an update of CPCFA's three major programs. She stated that there is a lot of activity happening at the Authority and that excitement is growing with the uptake and participation in many of CPCFA's programs.

Ms. Webster-Hawkins first reported on the California Recycle Underutilized Sites (CalReUSE) Program. Following the program evaluation presented to the Board in March 2013, staff has been analyzing the cost of administering the program, and will be working with local stakeholders and partners to develop recommendations for the Board's consideration to re-launch the Site Assessment Program. With an uptick in development activity, the Authority expects that the demand for the forgivable loan program will be high. Ms. Webster-Hawkins stated that staff hopes to present the recommendations for the re-launch in September.

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Ms. Webster-Hawkins then reported on the Remediation Program. She stated that expenditures and requests for reimbursements on those allocations remain steady. To date, the funding from Proposition 1C has supported the creation of 1,469 housing units at an average investment rate of \$9,545 per unit. Ms. Webster-Hawkins is looking forward to the continued momentum of the program.

She then reported on the California Capital Access Program (CalCAP), stating that the demand and participation under the small business loan loss reserve program remained high. Ms. Webster-Hawkins reported that the Collateral Support Program (CSP) staff had received positive responses to the program updates that the Board approved last month. Prior to last month's meeting, the program had obligated or disbursed a total of \$2.1 million since January 1st. Since the June 18, 2013 Board Meeting, the program has obligated or disbursed a total of \$4.4 million. Based on staff's outreach with lenders, staff learned of additional program details that they can clarify to increase the confidence in the CSP. She stated that staff may be returning to the Board as necessary to approve key updates.

Ms. Webster-Hawkins reported on CalCAP's Loan Participation Program (LPP). Staff has been working with U.S. Treasury to understand the amount of flexibility the federal statute would give CPCFA to tailor the program for energy efficiency financing in California. Staff had considered the revision and reissuance of the Request for Application to cast a wider net and increase the reach of the program. Overall, CPCFA had reached 40% of the first tranche of the federal funds. Staff has been working actively with GO-Biz, the agency lead for the Small Business Loan Guarantee Program, to validate California's program reporting and expedite the request for the second tranche of funds from Treasury.

Ms. Webster-Hawkins continued, reporting on the Air Resources Board (ARB) On-Road Truck Program. She stated that demand and participation remained very high, and that funds were running low. The ARB's staff draft Air Quality Improvement Program (AQIP) Funding Plan allocates \$2 million to the program for FY 2013/14, which would run out in the Fall 2013. Separately, ARB's Proposition 1B proposal would allocate \$5.3 million to the CalCAP Loan Loss Reserve Program, but for a narrower subset of drayage vehicles deemed eligible under Prop 1B. Ms. Webster-Hawkins reported that CalCAP staff has nominated ARB's On-Road Truck Program for the Governors Environmental and Economic Leadership Awards as an example of an outstanding state agency partnership in stimulating the local economy while achieving significant environmental and air quality benefits.

Ms. Webster-Hawkins then reported on the Bond Program. Interest in the program has shown a modest uptake, with applications for initial resolutions having come in. She stated that staff had continued to market the program to developers promoting emerging technologies. On June 28, 2013, staff transmitted its annual SB99 Audit of the Bond Program to the State Controller, pursuant to SB99, and the audit report was posted publicly on the CPCFA website. Ms. Webster-Hawkins stated that the independent auditor identified several generally accepted accounting principles (GAAP), which were different than the rules typically applied within the state's accounting system, CalSTARS, and the report on internal controls documented the new instructions which CPCFA and the Accounting Office are now

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implementing to ensure that the Authority's financial statements include all required GAAP adjustments. She reported that the financial statements were unremarkable, and generally reflected the decrease in bond issuances over the course of the fiscal year.

Mr. Paparian added that the auditor had provided the Authority with five responses. He stated that the responses from the auditor were that the CalSTARS system has its limitations with respect to applying the generally accepted accounting principles to an enterprise fund such as CPCFA uses for its purposes. Mr. Paparian clarified for the Board that all of the findings are being addressed, including the quarterly, self-balancing report.

Ms. Webster-Hawkins stated that Mr. Paparian was correct. She explained that together with the Accounting Office, staff have been applying the instructions that the auditor provided. She stated that the Authority is working closely with the Accounting Office to internally produce and review quarterly, self-balancing financial statements that reflect the new instructions so that at the year end, the financial statements will be prepared for the following year's auditor and in accordance with the additional rules that GAAP imposes, beyond what CalSTARS would impose. Ms. Webster-Hawkins stated that in some cases, the definition of how certain funds would be handled differs from the State accounting rules. She explained that the reason this occurs is because the fund is an enterprise fund, which does have special rules under the GAAP principles.

Ms. Webster-Hawkins then introduced and welcomed three new staff members to CPCFA. She first introduced Melissa Calderon, a new Office Technician. She then introduced Melissa Winchester and Ian Davis, Staff Services Analysts with CalCAP.

She stated that there were no actions taken under her delegated authority to report on.

4. BUSINESS ITEMS

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

1) Arakelian Enterprises, Inc. dba Athens Services

Presented by: Andrea Gonzalez, Staff Services Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt

Staff requested approval of an Initial Resolution for an amount not to exceed \$35,000,000 to finance the purchase of equipment for various sites and site improvements in San Bernardino County as well as improvements to four additional locations in Los Angeles County. The company anticipates that the project will provide waste diversion and recycling benefits. Staff recommended approval of the request for an amount not to exceed \$35,000,000.

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

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Mr. Paparian asked if there was a motion.

Ms. Rockwell moved approval of the item; upon a second, the item was unanimously approved.

2) **KVB, Inc.**

Presented by: Mario Wong, Staff Services Analyst

Staff introduced Kara Baker of KVB, Inc.

Staff requested approval of an Initial Resolution for an amount not to exceed \$17,500,000 to finance the construction of a materials recovery facility (MRF), anaerobic digester, water treatment/evaporation facilities and related equipment and land purchase. The facility will be located in Orland and will replace the Glenn County landfill that is slated for closure in 2016. Staff recommended approval of the request for an amount not to exceed \$17,500,000.

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

Ms. Baker thanked staff for the help the company has received thus far. The staff has been very helpful and a pleasure to work with

Mr. Paparian asked if there was a motion.

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

B. REQUEST APPROVAL OF AMENDMENT 3 TO INTERAGENCY AGREEMENT ARB08-607 WITH THE CALIFORNIA AIR RESOURCES BOARD (ARB) REGARDING THE CALCAP INDEPENDENT CONTRIBUTOR PROGRAM

Presented by: Diana Michaelson, Associate Treasury Program Officer

Staff requested Board approval to amend Interagency Agreement ARB08-607 between CPCFA and ARB. The amendment is needed to ensure that ARB has funding authority to provide adequate allocation for the remainder of the contract term. Additional funding is expected to be authorized in ARB's FY2013/14 AQIP Funding Plan. The amendment addresses an accounting issue, as the funding authority associated with the original funding amount has expired. Staff recommended approval of the Resolution for an amount not to exceed \$54,300,000.

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

Ms. Webster-Hawkins wanted to clarify and stated that the amendment adds \$10,000,000 to the maximum amount of the agreement, consistent with the Budget Authority.

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Squaring that with the \$2,000,000 recommendation that is in the AQIP Funding Plan, Ms. Webster-Hawkins stated that this amendment increases the ceiling of the agreement, subject to what the AQIP Funding Plan would provide. She explained that the amendment does not add the physical dollars, but adds the funding authority to the contract, subject to the AQIP Funding Plan.

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.

Ms. Rockwell 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 10:50 a.m.

Respectfully submitted,

Reneé Webster-Hawkins
Executive Director