

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, CA 95814
December 6, 2016**

1. CALL TO ORDER & ROLL CALL

Mr. Alan Gordon, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 3:30 p.m.

Members Present: Eraina Ortega for Michael Cohen, Director of Finance
Karen Greene-Ross for Betty Yee, State Controller
Alan Gordon for John Chiang, State Treasurer

Staff Present: Reneé Webster-Hawkins, CPCFA Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Mr. Gordon asked if there were any questions or comments concerning the meeting minutes from the meeting held November 15, 2016. There were none.

Ms. Eraina Ortega moved approval of the minutes; there was a second.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Karen Greene-Ross for the State Controller	Aye
Alan Gordon for the State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Reneé Webster-Hawkins began her report by thanking the Board for attending the additional meeting for CPCFA. Ms. Webster-Hawkins stated she would forego her usual Executive Director's report and will save it for the next regularly scheduled Board Meeting to be held on December 13, 2016. Ms. Webster-Hawkins informed the Board that she took an action under her delegated authority in which she signed a standard agreement contract with Richardson and Company, CPCFA 05-16, to provide audit services to CPCFA for the annual independent audit of CPCFA's Bond Program as mandated by Senate Bill 99 (SB99).

4. BUSINESS ITEMS

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

San Jose Water Company and/or its Affiliates, #833(SB*), Water Furnishing,
\$70,000,000

Presented by Andrea Gonzalez

Staff introduced Jim Lynch, Chief Financial Officer (CFO) San Jose Water Company,
Leslie Lava, Bond Counsel

San Jose Water Company requested approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$70,000,000, representing a portion of the balance remaining of the initial IR authorizing the issuance of bonds in an amount not to exceed \$150,000,000, approved on March 24, 2010, as reinstated, extended and approved on August 16, 2016, by CPCFA after CPCFA previously issued bonds, for the benefit of the company, in the principal amount of \$50,000,000 on June 16, 2010. Therefore, the net induced amount remaining is \$100,000,000.

The company plans to finance the improvements to existing structures and facilities and to the distribution system located in portions of the Cities of San Jose and Cupertino, the Cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara, California.

Staff recommended approval of Final Resolution No. 559 and Volume Cap Allocation Resolution No. 13-111-09 for an amount not to exceed \$70,000,000 for San Jose Water Company and/or its Affiliates.

Mr. Gordon asked if there was anything to add. Mr. Lynch expressed his excitement for the opportunity to work through CPCFA and obtain the financing to put the money for the goods as described by Ms. Gonzalez.

Mr. Gordon asked if there were any questions from the Board.

Ms. Karen Greene-Ross referred to Agenda Item 4.A., the San Jose Water Company Staff Summary, and asked why it stated that the project commenced on January 1, 2016. She asked if this was a typo or if the project had commenced and perhaps funded by prior bonds. Mr. Lynch confirmed that the current project is being funded on a short-term line of credit, and the requested funding is to provide take out financing for the project that did commence on January 1, 2016.

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

Ms. Eraina Ortega moved approval of the item; there was a second.

Mr. Gordon asked for roll to be taken.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Karen Greene-Ross for the State Controller	Aye
Alan Gordon for the State Treasurer	Aye

B. REQUEST TO APPROVE AMENDED AND RESTATED FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND TAX-EXEMPT VOLUME CAP ALLOCATION

CalAg, LLC, CalPlant I, LLC and /or its Affiliates, #664(SB*), Solid Waste Disposal, \$225,000,000

Presented by Andrea Gonzalez

Staff introduced Jerry Uhland, CalAg LLC, Jake Campos, Underwriter, Stifel, Nicolaus & Company, Incorporated, Robert Feyer, Bond Counsel, Orrick, Herrington, Sutcliffe LLP, Daniel Deaton, Nixon Peabody LLP, Underwriters Counsel

CalAg, LLC and/or its Affiliates, including CalPlant I, LLC requested a restatement and amendment of Final Resolution No. 511 and Volume Cap Allocation Approval for an amount not to exceed \$225,000,000, and acknowledgment that the borrower has self-certified this as a Green Bond transaction following the International Capital Market Association (ICMA) Green Bond Principles (GBP).

The Final Resolution was originally approved on November 17, 2010 for an amount not to exceed \$175,300,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF). The Final Resolution was then amended on December 16, 2014 to reduce the amount to \$126,700,000 to provide room for changes to the financial plan. On June 17, 2014 the Final Resolution was amended and restated, and it has been extended since then (see Prior Actions above), and, most recently, on May 17, 2016.

CalAg, LLC is a small business which proposes to use its patented method (U.S. Patent 6,596,209) to manufacture MDF from rice straw—a waste product from the farming and harvesting of rice.

Staff recommended approval of Final Resolution No. 511 and Volume Cap Allocation Resolution No. 13-111-10 or 14-147-01 for an amount not to exceed \$225,000,000 for CalAg, LLC, CalPlant I, LLC and/or its Affiliates. Additionally, staff recommended recognition of the issuance as a Green Bond.

Mr. Gordon mentioned that he wanted to give the people in the audience a brief history. Mr. Gordon stated he was staff counsel to the Senate Environmental Quality Committee

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in the early 1990's, and mentioned that in Sacramento during the Fall, one could not see, as the air was so thick with silica from rice burning. Mr. Gordon stated legislation was passed that phased out the burning of straw over the course of 8-10 years. Mr. Gordon stated that a combination of the change in policy and the change of practice amongst the rice growers, such as stopping the burning of the fields over time, and reduction in the amount of pesticides used changed things, however there was always a promise of a commercial use for the rice straw. He mentioned that Mr. Uhland is owed a big thanks from everyone in the Sacramento Valley as well as the farmers in California for bringing the CalAg, LLC, CalPlant I, LLC and /or its Affiliates Project to fruition over a very long period of time. Mr. Gordon stated the environmental and agricultural community came up with a win-win.

Mr. Uhland thanked Mr. Gordon. Mr. Uhland stated that each year the manufacturing plant uses post-harvest straw from approximately 100,000 acres of planted rice to produce high quality and competitively priced Medium Density Fiber Board (MDF). The MDF has been manufactured in other countries for many years. The Fiber Board will be used in the manufacture of kitchen and bath cabinets, furniture, laminate flooring and decorative hardwood plywood. Mr. Uhland brought samples of the MDF. Mr. Uhland stated the MDF will be sold to a vast majority of major end users in California, such as Home Depot. Mr. Uhland stated with the support of CPCFA and the Board, through the 18 year construction period, there will be over 200 full time construction workers, 90 employees will be employed at the facility once opened, and during the five month straw collection period there will be over 400 employees employed during that time. Mr. Uhland mentioned the reduced water consumption, improved air quality, and using a formaldehyde-free resin binder to produce the MDF as the environmental benefits of the project. Additionally, by using over 270,000 tons of straw annually there will be a reduction of the need to harvest over 4,000 acres of mature growth forests which is the equivalent of over one million trees every year.

Mr. Uhland mentioned the first resolution through CPCFA was first approved on April 26, 2000, and since then, there were nineteen approved Resolutions, worked with three wonderful State Treasurers (Phil Angelides, Bill Lockyer, John Chiang), and four hard working Executive Directors (Steven Sakurai, Kirsten Snow Spalding, Michael Paparian, and Reneé Webster-Hawkins). Mr. Uhland thanked the many CPCFA staff members who have worked on the project and mentioned they are consummate professionals. Mr. Uhland also stated his thanks for past and current Board Members, Executive Directors and CPCFA staff members. Mr. Uhland named Reneé Webster-Hawkins, Sherri Wahl, Doreen Smith, Pattie Crowson, Deanna Hamelin, Andrea Gonzalez, Bob Hedrick and Mark Paxson from the State Treasurers Office (STO) legal department. Mr. Uhland also mentioned Julia Zuffelato from the Attorney General's office, and the employees at the Public Finance Division (PFD), Adrian Leung, Maun Cheo, Gary Watkins, Geoff Palmertree, Julie Giordano, and Blake Fowler. Mr. Uhland also stated after 16 years he offered his apologies if he missed any names.

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

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Mr. Steven Torgeson from U.S. Bank commented that he has been following the project for several years and cannot wait on a personal level to go to Home Depot to purchase the MDF and offered his congratulations to Mr. Uhland.

Mr. Gordon asked if there were any other questions or comments from the Board or Public. There were none.

Ms. Eraina Ortega moved approval of the item; there was a second.

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Karen Greene-Ross for the State Controller	Aye
Alan Gordon for the State Treasurer	Aye

C. REQUEST TO APPROVE ALLOCATION AGREEMENT AMENDMENT FOR THE STATE SMALL BUSINESS CREDIT INITIATIVE WITH THE UNITED STATES TREASURY

Request for approval of amendment to allocation agreement with the U.S. Treasury to increase the amount of allocated funds to be disbursed to the State of California as a Participating State in support of approved State Programs operated under the State Small Business Credit Initiative

Presented by Doreen Smith

Staff requested Board approval of an amendment to the allocation agreement with the U.S. Treasury to increase the amount of funds to be disbursed to the State of California as a Participating State in support of Approved State Programs operated under the State Small Business Credit Initiative (SSBCI). On November 29, 2016, the U.S. Treasury offered the Authority and Governor's Office of Business and Economic Development (Go-BIZ) an additional \$643,433, for a total revised allocation of \$168,399,074, for the California Capital Access Program (CalCAP) Small Business Loan Loss Reserve Program, the Collateral Support Program, and the State Small Business Loan Guarantee Program. The U.S. Treasury is asking Participating States to be prepared to return the amended allocation agreement, if accepted, within ten (10) calendar days to expedite the disbursement of funds. The amendment will not impose any additional responsibilities upon Participating States beyond the current allocation agreement, and it will permit Participating States to utilize up to 3% of the additional funds for administrative expenses.

Staff recommended approving the Allocation Agreement Amendment together with our administering partners at the IBank to accept the additional SSBCI funds.

Ms. Eraina Ortega moved approval of the item; there was a second.

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

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Karen Greene-Ross for the State Controller	Aye
Alan Gordon for the State Treasurer	Aye

5. PUBLIC COMMENT

Mr. Gordon 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 3:46 p.m.

Respectfully submitted,



Renee Webster-Hawkins
Executive Director