

**MINUTES**

**California Pollution Control Financing Authority  
801 Capitol Mall, Room 150  
Sacramento, California  
May 16, 2017**

**1. CALL TO ORDER & ROLL CALL**

Steve Juarez, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 10:58 a.m.

Members Present: Eraina Ortega for Michael Cohen, Director of Finance  
Anne Baker for Betty T. Yee, State Controller  
Steve Juarez for John Chiang, State Treasurer

Staff Present: Reneé Webster-Hawkins, Executive Director

Quorum: The Chairperson declared a quorum

**2. MINUTES**

Mr. Juarez asked if there were any questions or comments concerning the meeting minutes from the meeting held April 18, 2017. There were none.

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

The item was passed by the following vote:

Eraina Ortega for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

**3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Webster-Hawkins greeted the Board members and informed them that the CalCAP Stakeholder Symposium was held on April 26, 2017 and was well attended and believed well received. Invited to attend were several public finance experts as well as key stakeholders in small business lending to convene a panel to receive the comments from the participants. The panel included: Tim Schaeffer from the State Treasurers Office, David Haithcock from Independent and Community Banks, Kevin Gould from the California Bankers Association, Jeff Adamski from First Northern Bank of Dixon, Mike Daniel from the Small Business Development Network and Annmarie Rogers from the Air Resources Board (ARB) who manages CPCFA's contract with ARB.

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The symposium included panel presentations as well as comments received from current lenders and small business leaders. Written comments following the event have also been received. The information received were robust and engaged, and a key take away was that several different strategies that the lenders have recommended over the last couple of years on how to keep the program more sustainable or attracting greater participation from lenders did not generate traction. Ms. Webster-Hawkins stated that this was helpful in the staff's perspective in not pursuing strategies that won't be well participated or received from the lender community.

The key topic of the symposium was implementing recapture in the existing California Capital Access Program (CalCAP). Contrary to CPCFA's hopes and expectations, no specific data or analysis was presented that would support the lender's proposed minimum threshold of twenty percent remaining in their loan loss reserve. Ms. Webster-Hawkins stated that staff has additional research to further flush out this idea. Ms. Webster-Hawkins stated that the anticipated timeline for presenting the proposed approach based on the research, comments and information received will occur during the June 20, 2017 Board meeting. The feedback and guidance received from the Board members during that meeting would then be put into draft regulations which would be taken to the Board for consideration on July 18, 2017.

Ms. Webster-Hawkins stated that CPCFA continues to monitor and be actively engaged in providing technical information to legislative staff on a number of key bills.

AB 964 and AB 1259 are two bills that attempt to provide financial incentives to low income vehicle purchasers attempting to structure a program based on the CalCAP model and encourage lenders to provide low interest loans to consumers interested in purchasing clean vehicles. Currently the bills would also include a rebate component and would introduce key changes into the CalCAP program and in staff's view would move the program more from a CalCAP model into a direct lending or at the very least a direct underwriting model. Conversation about these bills are still occurring.

AB 1553 would authorize the use of monies to allow CPCFA to make incentives to small business borrowers in the Americans with Disabilities Act (ADA) program, namely to defray the costs of the architectural inspection that is required under the program. This bill is currently in suspense at the Assembly Appropriations Committee.

SB 551 was introduced and sponsored by Opportunity Fund. CPCFA does support the retention of the contribution schedule that would provide the maximum amount of flexibility to lenders to elect the level of the fee that they would like to pay in participating in the program. Conversations are still continuing with the author's office regarding the recapture provision that is in the bill.

SB 815 would raise the gross annual revenue of a qualifying business under the ADA program from one million to five million dollars to expand the eligible borrowers under the program.

Ms. Webster-Hawkins signed one contract under her delegated authority which was the same contract that Executive Director Deana Carrillo of the California Alternative Energy and

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Advanced Transportation Financing Authority (CAEATFA) mentioned during the previous CAEATFA Board meeting which was an Interagency Agreement CAEATFA09-16 with CAEATFA for their share of the rent that is to be reimbursed to CPCFA.

Ms. Baker then asked if there was anything that the Board can do to help CPCFA get the information from the industry to back up their proposal other than call attention to it during the Board meeting and state that the Board members feel it is important for the lenders to share their basis for their proposals.

Ms. Webster-Hawkins stated that it was a repeated request through CPCFA's outreach to lenders, both formally through a list serve as well as informally in direct conversations, with the lenders and that the information has not been forthcoming. Ms. Webster-Hawkins stated that if the Board has informal conversations that she would welcome that additional information.

Mr. Juarez asked if there were any more questions. There were none.

Mr. Juarez stated that for the record, he believes June and July will be very important months with regard to the issue of recapture. He anticipates that a robust discussion will occur when this comes to the Board in June. Mr. Juarez stated that he has had conversations with Ms. Webster-Hawkins about how to go forward, which may not be in concert with what some of the lenders would like to see. Mr. Juarez stated that he is trying to be fair with regard to prior participants in the program but at the same time making sure that resources are available when the loans have matured to then make the proceeds available to other lenders. Mr. Juarez stated he believes there is a middle ground that will be found with what staff chooses to proceed with. Mr. Juarez re stated the goal is to be fair but also have resources available for new or existing participants to use for new borrowers. Mr. Juarez said that he believes that there will be more time spent on the topic of recapture at the June 20, 2017 Board meeting than what was spent during the current Board meeting.

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

#### **4. BUSINESS ITEMS**

##### **A. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE NOTES FOR NEW MONEY AND REFUNDING PURPOSES, SMALL BUSINESS ASSISTANCE FUND (SBAF) COSTS OF ISSUANCE ASSISTANCE AND TAX-EXEMPT VOLUME CAP ALLOCATION**

##### **1. Bay Counties Waste Services, Inc., and/or its Affiliates**

Presented by: Kris Luoma, Staff Services Analyst

Staff introduced Mark Holmstedt, Westhoff, Cone & Holmstedt

## Agenda Item 2.

Bay Counties Waste Services, Inc. and/or its Affiliates requested approval of a final resolution for an amount not to exceed \$23,290,000 to issue revenue notes to refund two current outstanding California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds: (1) Series 2011A (Bay Counties Waste Services, Inc. Project) in the amount of \$11,280,000, of which \$10,180,000 will be redeemed from Series 2017 note proceeds and \$470,000 will be redeemed from company funds; and (2) Series 2014 (Bay Counties SMaRT Project) in the amount of \$5,180,000, of which \$4,730,000 will be redeemed from Series 2017 note proceeds and \$450,000 will be redeemed from company funds. Bay Counties Waste Services, Inc. also requested volume cap allocation approval for an amount not to exceed \$7,750,000 in new money revenue notes to finance the purchase of new California Air Resources Board (CARB) compliant collection vehicles, carts and pails.

In addition, the company also requested approval of a Small Business Assistance Fund (SBAF) resolution in an amount not to exceed \$144,000 to assist with the cost of issuance of this transaction.

Staff recommended approval of Final Resolution No. 566 and Volume Cap Allocation Resolution No. 14-147-03 for an amount not to exceed \$7,750,000, and a SBAF Resolution in an amount not to exceed \$144,000 for Bay Counties Waste Services, Inc. and/or its Affiliates.

Mr. Holmstedt stated that this type of project is one of the types of projects that is in response to the state of California's commercial food waste program and that most of the funds will be used for in the city of Sunnyvale, California.

Mr. Juarez asked what the market is like for this type of bond transaction currently. Mr. Holmstedt stated that the good news is that this type of transaction is in response to what is happening with a lot of commercial banks. There have been many transactions brought to the Board by Mr. Holmstedt where the bank is buying the bonds directly instead of obtaining a letter of credit (LOC) on a bond and then going out and publicly marketing it. Mr. Holmstedt stated that the market for bank purchased notes which is what the current transaction is, is extremely strong and that most of Mr. Holmstedt's previous portfolios of outstanding bonds are turning into notes and the new financing is being done as notes. Mr. Holmstedt stated that this is significant because the banks that are participating are willing to give a discount, taking into consideration the tax exemption, of thirty percent. The banks will normally lend a spread over London interbank offered rate (Libor) but with this program they are lending at seventy percent, or a thirty percent discount. Mr. Holmstedt stated that as interest rates increase, the benefit will only go up.

Mr. Juarez asked if this is the type of transaction where the bank will remarket the securities. Mr. Holmstedt said the transaction has a term of fifteen years and that the initial hold period committed to by Comerica is five years but that it is anticipated that the bank will hold it for the entire term.

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Mr. Juarez stated he asked because something similar came up at the California Infrastructure and Economic Development Bank (IBank) Board meeting and that anytime the Board is allowing initial purchasers to then remarket that they are making sure that they are remarketing to qualifying investors and that the disclosures are all there and that the denominations are high enough to prevent folks from inadvertently getting into something they don't understand.

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

Mr. Juarez asked for a confirmation that the one vote will take of the bond resolution, the allocation resolution and the SBAF resolution. Mr. Luoma and Mr. Hedrick confirmed.

Ms. 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
Anne Baker for the State Controller	Aye
Steve Juarez 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

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

Staff introduced Jerry Uhland, CalAg, Jake Campos, Stifel, Nicolaus & Company, Incorporated, Devin Brennan, Orick, Herrington & Sutcliffe LLP, Cameron Parks, Citigroup Global Markets Inc.

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 \$235,000,000, 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). On June 17, 2014 the Final Resolution was amended and restated, and it has been extended since then, most recently, on December 6, 2016.

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

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The company anticipates a limited offering of fixed rate tax-exempt bonds with a restriction on transfer to Qualified Institutional Buyers and Institutional Accredited Investors as set out in Exhibit B of the Resolution during a "Restricted Period" as defined in the Indenture. The borrower requested that CPCFA allow the transfer to Institutional Accredited Investors to enhance the initial bond sale. CPCFA staff has included additional requirements in the Indenture to ensure the dealer is confirming the qualification of subsequent purchasers as Institutional Accredited Investors and is recommending that the Board grant the request with these additional terms and conditions.

Staff recommended approval of Final Resolution No. 511 and Volume Cap Allocation Resolution No. 14-147-07 for an amount not to exceed \$235,000,000 for CalAg, LLC, CalPlant I, LLC and/or its Affiliates.

Additionally, staff recommended recognition of the issuance as a Green Bond.

Mr. Juarez asked if anyone had any comments.

Mr. Uhland stated on behalf of over a dozen companies and hundreds of people that have directly supported this project for many years, he thanked the Board, three State Treasurers, four Executive Directors, a number of staff, California Debt Limit Allocation Committee (CDLAC), State Treasurers Office (STO), and the Attorney General's Office(AG). Mr. Uhland stated the last fifteen years have been wonderful but that he hopes the next opportunity they meet will be at the plant site in Willows, California while under construction.

Mr. Juarez stated that it would be wonderful. He then asked if anyone else had any comments or questions from the public or the Board.

Mr. Juarez stated that this was the project that he was speaking about previously that he wanted to make sure of and asked staff to make sure of that they were clear about the re sale of the bonds and that there are qualified investors. Mr. Juarez stated that he would hate to have anyone that was not knowledgeable or at the very least not satisfied. Mr. Juarez stated that this sounds like it has been addressed fully and is a part of the bond documents. He stated that there was a twist with not knowing if an Original Issuance Date (OID) needs to take place for the extra ten million and that it will not be known until they go to market.

Mr. Juarez stated that the State Treasurer likes this project and hopes the next time they meet is to cut a ribbon and that the project is under construction.

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

Ms. 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
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

**5. PUBLIC COMMENT**

Mr. Juarez 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 11:17 a.m.

**Respectfully submitted,**

(Originally signed by)

Reneé Webster-Hawkins  
Executive Director