

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 23, 2018**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 10:32 a.m.

Members Present: Jacqueline Wong-Hernandez for Michael Cohen, Director of Finance
Anne Baker for Betty T. Yee, State Controller
Steve Juarez for John Chiang, State Treasurer

Staff Present: Elena Miller, Deputy 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 December 12, 2017. There were none. Mr. Juarez asked if there was anyone with comments on the telephone, staff confirmed there was not.

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

The item was passed by the following vote:

Jacqueline Wong-Hernandez 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. Miller greeted the members of the Board.

Ms. Miller stated that the authority reported to the Executive Office regarding the following program accomplishments for 2017:

The Bond program issued \$653,615,000 in tax exempt bonds for pollution control projects including \$543,520,000 in new financing. The number of issuances in 2017 was significantly higher than the total number of issuances during any of the last ten years.

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For the CalCAP program, in 2017 the number of loans enrolled in both the CalCAP Small Business Loan Loss Reserve Program and the CalCAP ARB Heavy Duty Vehicle Loan Program surpassed the total number of loans enrolled in any other year. Specifically, CPCFA in 2017 enrolled 2,272 loans into the CalCAP Small Business Program, contributing \$3 million towards \$91.3 million in private lending. This was the combined federal and state contribution amount. CPCFA also enrolled 3,927 loans into the CalCAP ARB Heavy Duty Vehicle Loan Program, contributing \$9.9 million towards \$235.5 million in private lending.

The CALReUSE Assessment Program has expended a total of \$6.4 million since 2000 for a \$0 fund balance at the end of 2017. By the end of 2017, the CALReUSE Remediation Program has disbursed a total of \$53,724,796 of the \$55 million allocated in 2008 under Prop. 1C at thirty project sites.

By December 31, 2017, twenty-one projects have been remediated and development completed with certificates of occupancy granted for 2,400 housing units, including 1,956 designated as affordable rental housing units for 55 years or affordable for-sale units for 30 years.

With the remaining nine projects in the process of completing remediation and project development it is anticipated that an additional 3,218 housing units will be built in the next eight years, with 922 designated as affordable units.

Upon completion of remediation and development at all thirty projects it is anticipated that a total of 5,618 housing units will be built, with 2,878 designated for 55 years as affordable rental housing units or 30 years as affordable for-sale housing units.

Ms. Miller then discussed legislation. AB 1547, previously titled the California Development Financing Authority was amended and renamed the California Americans with Disabilities Act Small Business Capital Access Loan Program. CPCFA Staff have been in full support of the revisions as a policy change. The bill gained three new co-authors at the JEDE Committee Hearing when presented by the author Quirk-Silva, and moved on to pass in the Appropriations Committee last week. This bill would modify the definition of a small business for purposes of the ADA program to include a business that has 30 or fewer full-time employees or that has less than \$5,000,000 in total gross annual income from all sources, and would thereby expand the types of businesses that qualify for funding under the ADA program – an increase from 15 employees currently in the statute.

There were no changes to SB 551 and the Authority continues to monitor it.

Ms. Miller switched to discussing the Tax-Exempt Bond Allocation. For the first time in 10 years, CPCFA no longer has allocation to offer borrowers after CDLAC's denial of our demand survey for both 2017 carryforward allocation of which \$1 billion was requested for 3 years, and the 2018 debt ceiling allocation of which \$500 million was requested. Instead, CDLAC reserved in its pool \$459 million for CPCFA. As a result, project sponsors for private activity bonds will need to submit applications for CDLAC as well as CPCFA. One project has already done this as of last week. Borrowers may expect that there could be two meetings for their teams to attend. A significant deal of \$100 million has been planning to come to CPCFA's

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April meeting for financing and allocation. If they cannot receive allocation in April, as they have planned for over a year, the project may face unanticipated delays.

Ms. Miller asked the Board if they had any questions.

Ms. Baker had a question about CALReUSE. Will the Authority or the Treasurer's office pursue funding allocation to continue for the next handful of years?

Mr. Juarez responded that it is his hope that we do. It is clear that acquiring general fund allocation is not going to be possible but there will be a continued effort to locate a source of funding so that this program can continue to create wide returns for the low cost of operation. He said that it was his hope that policy makers can be convinced that this is something that should be invested in.

Ms. Baker on behalf of the Controller asked to be kept up to date on this topic.

Mr. Juarez indicated the role of the Department of Finance in determining state funding.

Ms. Wong-Hernandez responded by saying that everyone has a lot of priorities in the budget including both the Treasurer and the Controller.

Mr. Juarez thanked Ms. Miller and invited her to finish her report.

Ms. Miller reported on actions under the delegated authority of the Executive Director including the bond deals for Bay Counties, Alameda County Industries, Garden City Sanitation, and Athens Services.

Ms. Miller welcomed Jacob Schafer to the CALReUSE Program as well as congratulating Ryan Mallory, Robert Salls, Nicholas Montalvo, and Susanna Tator on achieving permanent status.

Ms. Miller on behalf of CPCFA extended best wishes to Deborah Yang who will continue being our attorney at the STO until the end of the month. She said that we are thankful for her diligence in representing CPCFA.

Mr. Juarez commented that in regard to legislation, we are pleased with the outcome of AB 1547. He said that there are still issues in front of the legislature that will enhance our programs and there seems to be other interests as well. Concerning SB 551, the Board informed the authors that we are not in favor of any effort to remove the CalCAP Small Business Program from CPCFA. It makes no sense to alter a program that has been successful for 25 years. As to the Executive Director's report on the CDLAC allocation. He said that we are working internally to come to a resolution in order to afford CPCFA the ability to allocate cap and approve a given project at the same meeting. Though there are feelings that other agencies will ask for the same privilege, but we believe there are good reasons why this method makes sense for CPCFA specifically. In the meantime it is the intent to push for at a minimum to have CPCFA and CDLAC meetings on the same day at approximately the same time. If we could

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find a way to at least dispense with the need for project teams to attend Board meetings on different days, we will at a minimum try to streamline the process as an interim solution.

Mr. Juarez asked if there were any questions from the Board or public relative to the Director's report.

Ms. Wong-Hernandez confirmed that CDLAC Board meetings would occur before CPCFA Board meetings, if scheduled on the same day.

Mr. Juarez confirmed that yes they would go first.

Ms. Baker expressed the Controller's position that it is undesirable to see the funding of the good environmental work that this Board does get lost in the source of process improvements. For 40 years this Authority has shown an exemplary ability to reinvent themselves based on what is the environmental program or problem of the day and it would be unfortunate for the program's momentum going forward to get lost in a tussle of jurisdictional activity.

Mr. Juarez agreed with Ms. Baker and added that what was brought to us was the notion that there was an oversubscription of housing bonds. A survey showed that the appetite to act on housing was less than anticipated so to use that as an excuse to bring everything under one house is not a valid reason to do so. He said that he is trying to be fair about this and play a role in having the two sides come together to work out something to make it easier for those projects to go forward.

Mr. Juarez asked if there were any questions in the audience or on the telephone. Mark Holmstedt stepped forward to speak.

Mr. Holmstedt introduced himself to make a public comment. Mr. Holmstedt complimented the Board and staff for the herculean effort put forth in December as well as for having the foresight to adjust policy to accommodate a tough situation brought on by Congress. He said that in the roughly 25 years that Mr. Holmstedt has worked with this Authority, there have been few if any defaults. The system has worked extremely well and that is being lost on new staff at CDLAC for trying to take over processes that worked 10 years ago roughly. The Authority was given its own allocation to be able to go through a process that our borrowers knew and could work with. He said they did make it into the deadline last Friday for one project which is on the Governor's list of projects but that project is in jeopardy depending on how CDLAC chooses to treat it. He said that he was already getting questions from CDLAC that demonstrate a lack of understanding toward environmental projects whereas CPCFA staff completely understand what the issues are. He is concerned that those processes are being separated and that the staff that is already extremely knowledgeable is being questioned by CDLAC about policies that should not matter to them. He thinks that the Treasurer, the Controller, and the Department of Finance should trust in the staff they currently have in place. He thanked the Board for their time.

Mr. Juarez thanked Mr. Holmstedt.

4. BUSINESS ITEMS

A. RESOLUTION NO. 18-01-001 OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO BOND FINANCINGS TO THE EXECUTIVE DIRECTOR

Presented by: Deanna Hamelin, Treasury Program Manager

From time to time borrowers participating in the Authority's bond program seek Authority consent relating to amendments to the bond documents such as removing or replacing participants or agents in the transaction; delivering alternate credit facilities; the sale, encumbrance or transfer of project assets; or a merger or dissolution involving the borrower or the like.

The California Health and Safety Code section 44519 provides that, "The authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority." The current ED delegation of authority resolution expires on January 31, 2018 and the Authority's approval of this request would extend the expiration date to January 31, 2020. Staff recommends adoption of a Resolution No. 18-01-0001 authorizing delegation authority to the Executive Director and Deputy Executive Director for certain discretionary routine matters as described in the staff report to the Authority's bond program. This delegation resolution will remain in force through January 31, 2020.

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

Mr. Juarez asked if there were any changes to the Delegated Authorities that the Board should be made aware of before the vote?

Ms. Hamelin answered that there were not.

Mr. Juarez asked if there were any questions in the audience or on the telephone. There were none.

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

The item was passed by the following vote:

Jacqueline Wong-Hernandez for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

B. REQUEST TO AMEND INFILL GRANT DOCUMENTS UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE) REMEDIATION PROGRAM

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- 1) Resolution No. 18-03-001, Calvine & Elk Grove-Florin, LLC, Request to Extend the Term of the Grant.

Presented by: Alison French-Tubo, Associate Treasury Program Officer

Staff introduced Chris Poncin of Calvine and Elk Grove-Florin, LLC

Calvine and Elk Grove-Florin, LLC requests an extension of the term of the Infill Grant Agreement from March 1, 2018 to March 1, 2021, to complete groundwater remediation activities required by Department of Toxic Substances Control.

Soil remediation has been completed allowing construction of the Infill Development Project to proceed, while groundwater remediation continues. DTSC issued a letter on October 2, 2017 stating that monitoring shall take place for at least two years.

Mr. Juarez asked if Mr. Poncin cared to comment.

Mr. Poncin introduced himself and declared that he works for the developer of the project. This project has gone through quite a bit to get to where it is today. He said that currently the soil is cleaned up and they are monitoring some ground water off site, down the stream so to speak. He said that it has been at least 8-9 years where treatment of the water has been unnecessary. Levels now have been fairly constant for the last two years however DTSC wants them to maintain that level before they allow us to be done pumping the water. They have pumped over 1 billion gallons of water out of this project as well as having remediated well over 300,000 cubic yards of toxic soil. Development has started on a 91 unit senior affordable housing that is fully leased out. It is a great project and they are excited about it. They are asking for an extension because of the requirement placed on them by DTSC.

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

Mr. Juarez asked if there were any questions in the audience or on the telephone. There were none.

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

The item was passed by the following vote:

Jacqueline Wong-Hernandez 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 Board or public.

Mr. Juarez asked if there were any questions on the telephone. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:58 a.m.

Respectfully submitted,

(Originally Signed By)

Reneé Webster-Hawkins
Executive Director