

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
December 12, 2018**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:34 a.m.

Members Present: Jacqueline Wong-Hernandez for Keely Martin Bosler, Director of Finance
Alan LoFaso 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 November 13, 2018. There were none.

Ms. Wong-Hernandez 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
Alan LoFaso for the State Controller	Aye
Steve Juarez for the State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins mentioned that in January 2019, she will provide the annual program data and other key accomplishments report for 2018 for the Board.

Ms. Webster-Hawkins stated that she exercised her delegated authority for three items:

- On December 5, 2018, she signed an Interagency Agreement number CPCFA04-18 with CalHR in the amount of \$5,000 to provide training services for CPCFA.
- On December 6, 2018, she signed a Standard Agreement with Zions Bank. This was pursuant to a Request for Proposal (RFP) that the Board previously approved, contract

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number CPCFA02-18 in the amount of \$780,000 for Trustee services. This RFP was primarily for the CalCAP Programs and it is for a two-year contract.

- On December 10, 2018, she signed an Interagency Agreement with the State Treasurer's Office (STO) number CPCFA05-18 in the amount of \$736,709 for administrative services under the master agreement with the STO. This agreement was previously approved by this Board.

Mr. Juarez thanked Ms. Webster-Hawkins.

Ms. Webster-Hawkins mentioned it was the last meeting under the leadership of Treasurer John Chiang and sadly the last CPCFA meeting with Deputy Treasurer Steve Juarez. She wished Mr. Juarez a very happy retirement, after a long esteemed career in public service, public finance and economic development. She said when he rejoined the Treasurer's Office two years ago, he immediately became a champion for CPCFA and its programs. CPCFA appreciated his track record of supporting key public policy objectives through strategic financing incentives. She also said that CPCFA will miss his passion, guidance, and good humor.

Mr. Juarez asked Ms. Webster-Hawkins if that was the end of her report and asked if there were any comments from the Board or public. There were none.

Mr. Juarez said thank you for the kind words and that he enjoyed his time working with Ms. Webster-Hawkins and the staff at CPCFA. He regaled about the wonderful programs that CPCFA has to offer. He went on to say how good it was to see how much CPCFA has grown in terms of its scope and the work it is doing with the outreach to businesses, individuals and communities alike. He congratulated Ms. Webster-Hawkins and encouraged her to continue doing great work. He ended his comments by saying it had been a pleasure to work with Ms. Webster-Hawkins and the staff of CPCFA.

BUSINESS ITEMS

A. REQUEST TO APPROVE AMENDMENT TO INDENTURE FOR ARAKELIAN ENTERPRISES, INC., D.B.A. ATHENS SERVICES

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

Arakelian Enterprises, Inc. d.b.a. Athens Services requested an amendment to the Indenture dated April 1, 2014. The amendment to the Indenture sought to revise the mechanism setting the pricing, or interest rate, of the financing, as a result of recent and future changes to the federal corporate tax rate.

On April 2, 2014, CPCFA issued Variable Rate Demand Solid Waste Disposal Revenue Notes for Arakelian Enterprises, Inc. dba Athens Services for an aggregate principle amount of \$138,525,000.

The Notes issued were privately placed with three financial institutions: Wells Fargo Bank, National Association (55%); Bank of the West (20%); and Union Bank, National

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Association (25%), all as Qualified Institutional Buyers (“QIBs”). The Notes carried features consistent with the banks’ treatment of these Notes as loans: no CUSIP numbers, physical delivery of Notes (i.e. no book entry), no ratings, no official statement, large denominations, and transfer restrictions. The Notes on the refunding amount were sold separately to retain their exemption from the Alternative Minimum Tax (“AMT”), and the new money Notes are subject to the AMT.

Pursuant to the terms of the Notes, on December 4, 2018 the three-bank group transferred the Notes to a new four-bank group, including: Wells Fargo Bank, National Association; Comerica Bank; Umpqua Bank; and MUFG Union Bank, N.A.

The Athens 2014 Notes are governed by an Indenture, dated April 1, 2014, in the form of the Authority’s model note documents as amended to reflect the unique relationship between the three QIBs in this deal. The company sought an amendment to the Indenture to conform the pricing on the Notes to the recent changes in the federal corporate tax rate pursuant to the Tax Cuts and Jobs Act of 2017, and to future changes to the federal corporate tax rate as well, as well as an additional change in the pricing terms to reflect the current business arrangements among the QIBs and the company.

The amendment to the Athens Indenture proposed an Applicable Factor of 79.1% for the current federal corporate tax rate and an automatically-adjusting Applicable Factor based on the corporate tax rate after any further changes. Likewise, the Margin Rate Factor is based on an equation reflecting any future changes to the tax rate. For example, if the federal corporate tax rate were to increase to 25 percent then Athens would receive a 25 percent discount off of LIBOR. Consents from the company and each of the Noteholders, or banks, are required before the amendment would be executed.

Upon approval by the CPCFA Board, the company requested that the Authority’s Executive Director and/or Deputy Executive Director execute the amendment to the Indenture to authorize the changes in the document.

Staff recommended approval of the amendment to the Indenture for the Arakelian Enterprises, Inc. d.b.a. Athens Services project.

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

Ms. Webster-Hawkins asked to make a comment. She wanted to clarify a few things:

- That there was a typo on the staff report. The closing date near the top of the report should have read April 2, 2014 as it does in the body of the report.
- That Bond Counsel was on the phone for any questions, should there be any.
- There would likely be other private purchase deals where the Notes have been purchased by banks that will be seeking a similar amendment. This particular deal was the first of its kind. There were a number of banks where additional amendments were made in addition to the core request which is the change of applicable rate. For that reason she wanted to bring it to the Board for the awareness and the appreciation of how the Federal tax policy has affected some of

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the outstanding deals. She is hopeful for future requests, if future requests are limited to just that one question of the applicable factor, that CPCFA can approve them under her delegated authority with subsequent report to the Board for when they have been transacted. Ms. Wester-Hawkins then clarified that it really is just a business negotiation between the banks as lenders and the borrower. The amendment includes a provision where those parties excuse the Authority from any liability, even if unanticipated, that might flow from adverse tax consequences in the future. For those reasons she said she believed that future requests would likely fall under her delegated authority.

Mr. Juarez said that was fine as long as they are reported to the Board at least from the perspective of the Treasurer's Office. He thinks that it is a wise way to proceed.

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

The item was passed by the following vote:

Jacqueline Wong-Hernandez for the Director of Finance	Aye
Alan LoFaso 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 10:45 a.m.

Respectfully submitted,

(Originally signed by)

Reneé Webster-Hawkins
Executive Director