

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 15, 2019**

1. Call to Order & Roll Call

Jovan Agee, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:59 a.m.

Members Present: Jacqueline Wong-Hernandez for Keely Martin Bosler, Director of Finance
Anne Baker for Betty T. Yee, State Controller
Jovan Agee for Fiona Ma, State Treasurer

Staff Present: Reneé Webster-Hawkins, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Mr. Agee asked if there were any questions or comments concerning the meeting minutes from the meeting held December 12, 2018. There were none.

Ms. Wong-Hernandez moved approval of the minutes; upon a second, the minutes were 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
Jovan Agee for the State Treasurer	Abstained

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins welcomed the new administration including both the Treasurer's Office and the Governor's Office. She announced that the Board will now be chaired by Treasurer Fiona Ma and her Deputy Treasurer Jovan Agee. She said that the CPCFA staff is happy to support them with any information, analysis and organizational history that they might need to best lead the policies and programs of the Authority. Ms. Webster-Hawkins mentioned that CPCFA has prided itself on being an authority that is able to increase access to private capital markets for projects that benefit the environment thereby improving the sustainability of California's economy, particularly among the small businesses that drive the jobs and marketplace throughout the state.

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Ms. Webster-Hawkins wanted to reflect on the significant program accomplishments CPCFA achieved in 2018.

For the Bond Program:

- CPCFA issued a total of four pollution control private activity bond transactions, for a total amount of \$114 million in new money and \$13 million in refunding. These issuances benefitted waste and recycling projects located in Alameda, Kern, San Francisco, San Mateo, Sonoma and Sacramento counties. Three of the four transactions involved small businesses.
- The total volume of bonds issued in 2018 was below the annual average from previous years. The Board did approve a number of project financings which have been unable to close due to significant impacts on project budgets stemming from the unanticipated steel tariffs, market uncertainty about the quality of feedstock supply due to China's National Sword Policy and uneven enforcement of recyclable materials delivered to landfills.
- CPCFA remained engaged with the Treasurer's Office to advance the Green Bond and Climate Bond market here in California and because of this, the Authority became the first state-level financing authority to sign the Green Bond Pledge. We look forward to working with the new administration to accelerate investments in environmental and climate resilience areas and to streamline the expansion and construction of recycling and other waste management facilities.
- CPCFA received \$173 million in 2018 carryforward allocation from the California Debt Limit Allocation Committee (CDLAC). As long as we have that amount to award, we can again offer a “one-stop shop” process for our project applicants which entails the recommendation of approval of volume cap allocation to the Board at the same time we recommend approval of the project financing. This process eliminates the need for our applicants to also appear before the CDLAC board. We remain hopeful that we also will receive a set aside of the 2019 allocation from CDLAC, and would love to resume discussions with that agency to also receive the delegated authority to approve the volume cap under the current-year allocation, as contemplated by their regulations.

Ms. Baker stated that this is an issue that the State Controller's Office cares a lot about and wanted to make sure that duplicate requirements are not set up for the applicants. She surmised that there were possibly fewer applicants in 2018 because the process was more complicated than in previous years. She mentioned that with China refusing to take California's waste that there is a bigger opportunity to move into that space and be more successful. Ms. Baker said she is hopeful that with the new administration that we can have a reset of how to get the adequate investment in environmental projects without taking away from housing, but making sure there is continual supply of funding to be able to continue approving environmental projects.

Ms. Webster-Hawkins continued her report and talked about the CALReUSE program achievements:

CALReUSE:

- The agenda included an item that is illustrative of our current portfolio in CALReUSE. We are managing the eight remaining projects out of thirty remediation grants awarded in 2010 from the \$60 million allocated under Proposition 1C. So far, we have achieved:
- Remediation of 1,016 acres of formerly contaminated property.
- 3,309 new housing units, with 2,644 of those units affordable. That is 80% of the units were designated as affordable, which is significantly over the 15% minimum threshold we set 10 years ago.
- Creation of 4,930 temporary construction-related jobs and 880 permanent jobs.

The finalized projects have largely completed the initial remediation and are in the construction phase of housing and other mixed uses.

Ms. Webster-Hawkins said that with no new money to award, CPCFA is looking to recapitalize the CALReUSE program. Project developers and affordable housing stakeholders broadly support the CALReUSE program and see its unique value, because it enables property owners and local governments - often cash strapped - to address critical remediation issues in order to attract private capital for housing and other transit oriented development projects on the infill parcels. CPCFA submitted a budget change proposal (BCP) last fall for \$60 million, and it was rejected by staff apparently based on the view that it is duplicative of programs at Department of Toxic Substances Control (DTSC). However, DTSC has very limited funds only to assist those properties that have been subject to a public health enforcement action, and DTSC's staff resources are dedicated to those priorities as well as response to wildfire and other catastrophes. Ms. Webster-Hawkins said that CPCFA hopes to continue these discussions with the new administration.

Ms. Webster-Hawkins then proceeded to the CalCAP program stating that it had another record breaking year.

- 2,120 small business loans with our state funded CalCAP for Small Business Program.
- 4,525 loans to upgrade heavy duty diesel trucks owned and operated by small business fleets, consistent with CARB's latest Stateside Truck and Bus Rules.
- 27 Collateral Support loans.
- Under our CalCAP for Small Business Program, we offered additional contributions enrolled to businesses located in each county declared a disaster by the Governor due to wildfires.
- We applauded the passage of Assembly Bill 1547, which expanded the eligibility of small businesses under both our Seismic Safety and Americans with Disabilities Act CalCAP Programs. We continue to partner with regional legislative and community representatives to market these programs and are hopeful that in 2019 these programs will take root.

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- Currently, we have reminded our lenders that, even during the federal government shut down including the Small Business Administration, that CalCAP programs remains open for business and available for small business lending needs.

Ms. Webster-Hawkins then addressed CPCFA personnel highlights:

- She welcomed Patricia Creighton as an Office Technician on the Admin Team. She noted that Ms. Creighton was an office manager for small businesses for many years, as well as the Treasurer for several Harley riders and owner's organizations. She has an Associate's degree from the College of the Canyons and we are thrilled she has joined us.

Ms. Webster-Hawkins continued with several items under her Delegated Authority:

- In the Bond Program: On December 18, 2018 she signed amendments to the Loan Agreement and the First Supplemental Indenture for the CalAG project. The CalAG project is the rice straw conversion facility that is under construction north of Sacramento. The amendments were to accommodate improvements for the construction team and program management teams.
- She also had been provisionally approving changes to the Rialto BioEnergy Facility transaction. That transaction was a Bond financing that the Board approved in October 2018 but has not yet closed. The changes requested were due to the addition of Purchaser's Counsel as contemplated under the financing transaction. All of the changes have worked to make the transaction more secure and stable. The execution of the documents are on track for later in the month. She will report back once the transaction has been finalized.
- Ms. Webster-Hawkins also approved an Amendment and an Extension of an Initial Resolution for Poseidon Resources Channelside also known as the Carlsbad Desalination Plant. The Initial Resolution was approved by the Board on February 16, 2016 for a total amount of \$50,000,000. The Amendment approved last month increased the total amount to \$95,000,000 and also extended the Resolution out another three years to address the improvements to the desalination plant. This particular amendment to the Carlsbad project is to address two issues: 1) The shut-down of the co-located Carlsbad Energy Plant so that the desalination plant can become a stand-alone facility. 2) To address the new ocean water quality policies adopted by the state. It was approved on December 20, 2018.
- Lastly, Ms. Webster-Hawkins amended the CALReUSE grant award to the Sacramento Railyards under a previous action by the Board. The project has been prioritized for additional unused or recaptured monies that has been received by other CALReUSE grantees about \$1,015,085 has been allocated to the project in addition to the previous amounts awarded. The additional money will help fund the cleanup of hazardous material in the central shop buildings.

Ms. Webster-Hawkins concluded her report and asked the Board if there were any questions.

Ms. Baker asked Ms. Webster-Hawkins to send her information pertaining to what the Carlsbad extension is intended to fund and Ms. Webster-Hawkins obliged.

Mr. Agee asked if there were any questions from the public. There were none.

Business Items

A. RESOLUTION OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORITY TO APPROVE INITIAL RESOLUTIONS AND CERTAIN ACTIONS RELATED TO BOND FINANCINGS

Presented by: Solomita Malko, Staff Service Analyst

Staff requested that the Authority approve a resolution re-authorizing the Executive Director and Deputy Executive Director’s delegated authority for certain discretionary routine matters which includes the authority to approve Initial Resolutions related to bond financings. The current resolution expires on January 31, 2020 and the approval of this resolution would extend through January 31, 2021. Staff recommended adoption of Resolution No. 19-01-001.

Mr. Agee asked if there were any further comments. There were none.

Ms. Wong-Hernandez moved approval of the item; there was a second.

Mr. Agee asked for any questions from the public. There were none.

The item was passed by the following vote:

Jacqueline Wong-Hernandez for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Jovan Agee for the State Treasurer	Aye

B. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF WATER FURNISHING REVENUE REFUNDING BONDS Andrea Gonzalez

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

The San Diego County Water Authority Financing Agency (SDCWAF) and/or its Affiliates (which Affiliates shall include the San Diego County Water Authority (“SDCWA” or the “Water Authority”), as co-applicants, requested approval of a Final Resolution to issue the California Pollution Control Financing Authority Water Furnishing Revenue Refunding Bonds, Series 2019 (San Diego County Water Authority Desalination Project Pipeline) (the “2019 Pipeline Bonds”) in an amount not to exceed \$210,000,000 to (i) refund all of the outstanding California Pollution Control Financing Authority Water Furnishing Revenue Bonds, Series 2012 (San Diego County Water Authority Desalination Project Pipeline) (the “2012 Pipeline Bonds”) in the amount of \$200,605,000, (ii) fund a debt service reserve fund for the 2019 Pipeline Bonds, and (iii) finance costs of issuance of the 2019 Pipeline Bonds.

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Staff recommended approval of Resolution No. 18-01-530 for the San Diego County Water Authority Financing Agency and/or its Affiliates for an amount not to exceed \$210,000,000.

Ms. Webster-Hawkins wanted to add to the staff report that there are a number of documents still under revision but that the transaction is largely solidified however, she wants to make sure the resolution be amended with the following express conditions: 1) that she have the delegated authority to approve the final draft of the preliminary limited offering memorandum (PLOM) as long as it is in substantial conformance with the draft that is already on file and 2) approval upon the condition that Orrick, Herrington and Sutcliffe as bond counsel on the transaction is able to deliver to the Authority staff a signed engagement letter that covers the transaction and is either executed by or acknowledged by the SDCWA by January 18, 2019.

Ms. Webster-Hawkins also added that the related project, Poseidon Resources Channelside, may be potentially sold of the interest with the major equity partners Stonepeak Partners. She continued that this update was a new development and still very much preliminary, but that the result could involve a change in the operation and/or ownership of the Poseidon project in Carlsbad.

Mr. Agee asked if there were any further comments.

Ms. Baker chose to abstain from voting on this item.

Ms. Wong-Hernandez moved for approval. There was a second.

Mr. Agee asked if there were any questions from the public. There were none.

The item was passed by the following vote:

Jacqueline Wong-Hernandez for the Director of Finance	Aye
Anne Baker for the State Controller	Abstained
Jovan Agee the State Treasurer	Aye

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

Presented by: Ethan Wieser, Associate Treasury Program Officer

The Carson Reclamation Authority requested an amendment to the Infill Grant Agreement to extend the term of the Infill Grant Agreement until December 31, 2021, to change the name of the project, and to amend and incorporate certain benchmarks into the Infill Grant Agreement.

Background:

In 2008, the Board approved a grant in the amount of \$5,000,000 to Carson Marketplace, LLC to fund remediation at a 157-acre former Class II landfill site and the construction of a 400-unit apartment complex, 61 of which were to be designated as affordable.

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In 2009, Carson Marketplace, LLC received the entire \$5,000,000 of the CALReUSE award as an eligible reimbursement the purchase of Linear Low Density Polyethylene Liner that will act as the barrier between the landfill and surface development.

Due to the economic recession, the completion of the Project was delayed. In 2015, Carson Marketplace, LLC sold the Site and the Carson Reclamation Authority took title. In October of 2015, the CPCFA Board approved the transfer of the Infill Grant to the Carson Reclamation Authority and gave a short term extension of the grant in order to provide the Reclamation Authority an opportunity to submit an amended application.

In August 2016 the CPCFA Board approved the amended application which included the reduction of the brownfield project from 157 acres to the 42 acres known as Cell 2, two separate housing projects (one a 40 unit Veterans Housing project the other a 46-unit Artist Colony project), incorporated four benchmarks into the Grant Agreement including requiring a development on the Cell 2 site, and extended of the project until December 31, 2020.

Current Status:

Since that time the Grantee has successfully completed the first two benchmarks, and both housing developments are currently under construction and on schedule to be completed by the end of 2019. In addition construction of outlet mall project on the Cell 2 site began in October 2018

Unfortunately, the approval from DTSC for phased occupancy of the Cell 2 site ended up taking about 15 months longer than anticipated pushing the project timeline out.

Carson has provided an update to the project timeline which DTSC reviewed and determined it was feasible.

Staff Recommendation:

Staff recommended approval of the Resolution, extending the term of the Infill Grant to December 31, 2021, changing the name of the project, and the modification and inclusion of specific benchmarks the Grantee must meet to avoid a potential event of default under the Infill Grant Agreement.

Mr. Agee asked if there were any questions or comments. There were none

Ms. Wong-Hernandez moved for approval. There was a second.

Mr. Agee asked if there were any questions from the public. There were none.

The item was passed by the following vote:

Jacqueline Wong-Hernandez for the Director of Finance	Aye
Anne Baker for the State Controller	Aye
Jovan Agee for the State Treasurer	Aye

5. PUBLIC COMMENT

Mr. Agee 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 11:25 a.m.

Respectfully submitted,

Reneé Webster-Hawkins
Executive Director