

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
Tuesday, July 20, 2021**

In light of the COVID-19 pandemic and in accordance with the requirements of Executive Order N-08-21, paragraph 42, that was issued on June 11, 2021, to provide social distancing at state body meetings, CPCFA provided Authority members, participants, and members of the public the opportunity to participate in this meeting via teleconference.

Public Participation Call-In Number: (877) 853-5257, Meeting ID: 959 3712 1043, and Passcode: 040996

1. Call to Order & Roll Call

Treasurer Fiona Ma, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:32 a.m.

Members Present: Fiona Ma, CPA, State Treasurer
Meagan Tokunaga for Betty T. Yee, State Controller
(via teleconference)
Gayle Miller for Keely Martin Bosler, Director of Finance
(via teleconference)

Staff Present: Derek Chernow, Interim Executive Director

Quorum: The Chairperson declared a quorum

2. Minutes

Treasurer Ma asked if there were any questions or comments concerning the meeting minutes from the meeting held June 15, 2021. There were none.

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

The item was passed by the following vote:

Gayle Miller for Keely Martin Bosler, Director of Finance	Aye
Meagan Tokunaga for Betty T. Yee, State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

3. Executive Director's Report

Mr. Chernow started the Interim Executive Director's Report by stating that CPCFA and Treasurer Ma attended a press conference for a new Sacramento Regional Transit/Sacramento Municipal Utilities District electric vehicle (EV) charging station project. The new station is now providing 30 charging stations with storage and solar power generation in Sacramento. Mr. Chernow also mentioned that he and a fellow CPCFA staff member attended a press conference in Fresno for EV charging stations that were funded through the California Capital Access Loan Program (CalCAP)/Electric Vehicle Charging Station Financing Program at a low-income housing complex.

Mr. Chernow reported that a new lender, Amur Equipment Finance Inc., was approved to participate in the CalCAP/California Air Resources Board (CARB) truck program.

Mr. Chernow mentioned that he recently spoke at the Coalition for Climate Resilient Investment (CCRI) webinar about CPCFA's Bond Program. The CCRI comprised of representatives from governments, insurance companies and financial entities discussed their efforts to move programs like CPCFA's Bond Program toward a more sustainable future.

Mr. Chernow also reported that the Bond Program's annual SB 99 audit had "no findings" meaning that when all accounting of revenues and expenditures were reviewed by an outside auditing company no issues or errors were identified.

Mr. Chernow also stated that there is now a new SSBCI 2.0 landing page accessible through the State Treasurer's Office website at <https://www.treasurer.ca.gov/cpcfaca/calcap/sb/ssbci.asp>. Additionally, an email mailbox is available specifically for all the upcoming SSBCI 2.0 inquiries at SSBCI@treasurer.ca.gov.

Mr. Chernow closed by reporting on actions taken under the Executive Director's delegated authority. An Initial Resolution was approved for Arakelian Enterprises, Inc., dba Athens Services, for \$100 million on June 15, 2021. Additionally, two bond document amendments were approved for SoCal Biomethane after the June 15, 2021, Board meeting. The amendments were as follows: a decrease in the initial purchaser's capital requirement was approved on June 8, 2021, and an increase in the Indenture compliance timeframe from 120 to 150 days after fiscal-year close was approved June 18, 2021.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

4. Business Items

A. Request to Approve a Final Resolution Authorizing the Issuance of Tax-Exempt or Taxable Solid Waste Disposal Revenue Bonds and the Execution and Delivery of Amendments in Connection with Existing Solid Waste Disposal Revenue Bonds and Request to Approve a Resolution for Small Business Assistance Fund (SBAF) Costs of Issuance Assistance (if the final par amount is reduced to an allowable amount under the SBAF Policy)

Presented by: Alison French-Tubo, Associate Governmental Program Analyst

Ms. French-Tubo reported that Bond Counsel from Orrick Herrington & Sutcliffe, LLP, Erin Pham and Devin Brennan, and Borrower's Counsel from Hepner & Myers LLP, Irv Hepner, joined the meeting via Zoom.

Ms. French-Tubo began her report by stating that CalPlant I, LLC, and/or its affiliates requested the approval of a Final Resolution for the issuance of solid waste disposal revenue bonds in an amount not to exceed \$18,000,000, the approval of a Small Business Assistance Fund (SBAF) Resolution for an amount not to exceed \$210,000, and an acknowledgment that the borrower has self-certified that this is a Green Bond transaction based on a report by an independent consultant using guidelines that are consistent with the International Capital Market Association's Green Bond Principles.

Ms. French-Tubo stated that on the borrower's behalf, CPCFA applied to the California Debt Limit Allocation Committee (CDLAC) for an exempt facility allocation in an amount not to exceed \$18,000,000 to be considered at its August 11, 2021, meeting.

Ms. French-Tubo stated that the borrower is a small business that proposes to use a patented method (U.S. Patent 6,596,209) licensed to the borrower to manufacture medium density fiber board (MDF) from rice straw—a solid waste product from the farming and harvesting of rice. According to the borrower, its patented method of producing rice straw-based MDF results in an engineered composite panel that meets or exceeds all American National Standards Institute standards for wood-based MDF.

Ms. French-Tubo also stated that the project is located on 275 acres outside of the City of Willows in Glenn County, within the Sacramento Valley region, where the overwhelming majority of California's rice is grown.

The borrower purchased the plant site in April 2008, and construction of the plant began in November 2017. As of June 2021, the plant is 100% mechanically complete, and the first production of MDF occurred in November 2020. The borrower anticipates that the equipment provider's (Siempelkamp) guaranteed performance levels of 112 million square feet (MMSF) (on a ¾-inch basis) on an annualized basis will be achieved later in the current year, with the ramp up to full-

scale commercial operations. By the end of 2023, production of 150 MMSF (on a ¾-inch basis) is expected to be achieved.

Ms. French-Tubo recommended the approval of Final Resolution No. 21-01-614 for an amount not to exceed \$18,000,000 and SBAF Resolution No. 21-01-04 for an amount not to exceed \$210,000 for CalPlant I, LLC, and/or its affiliates.

Treasurer Ma asked if the CalPlant representatives would speak more on the project and she also expressed that she would like to make a visit to see the project.

Mr. Jerry Uhland, President of CalPlant I, LLC, thanked the Board for their support of the project.

Mr. Uhland remarked that on Friday, July 16, 2021, CalPlant I, LLC posted a detailed bond holder report on the EMMA (Electronic Municipal Market Access website regarding the updates and new happenings with the project.

Mr. Uhland stated that they now employ 125 full-time employees and have a voluntary overtime program. The refining area of the plant requires further changes before Siempelkamp's performance guarantees are met. Mr. Uhland explained that the refining area of the plant is where the plant chops clean straw into a fiber almost identical to a wood-based fiber similar to a MDF fiber, and they dry and mold that into a MDF panel/board. Mr. Uhland also explained there are two refiners and that one already went through a redesign for better efficiency and that changes to the second refiner are being planned.

Mr. Uhland stated that Siempelkamp's CEO of Plant and Machinery has arrived from Germany and has committed 15 more technologists and specialists to work with CalPlant I, LLC, through the night hours to educate and train so that the plant can run on a more consistent basis. Mr. Uhland also mentioned that they are currently at 30% up time although the plant should be upwards of 75% up time.

Mr. Uhland concluded by reporting that as of right now there are over 300 truckloads of MDF in the marketplace and that the boards are being used by consumers with good feedback ratings. He further noted that the price that the MDF boards are selling for is around double the anticipated price of a year ago because of the way the building products market is right now.

When Treasurer Ma asked if the fiber boards are more fire resistant as well as water resistant, Mr. Uhland responded that the rice straw has a high amount of wax, which means the boards have a natural flame resistant property. Mr. Uhland added that in order to achieve a true fire retardant product they have plans to add a nontoxic chemical to make the MDF fire proof in 2022.

Ms. Tokunaga asked Mr. Uhland to explain the differences in this award from prior award resolutions that have come before the Board.

Mr. Uhland explained that based on the volumes that are being currently produced, the capital that will be accessed from this resolution is vital for the success of the plant. The plant is mechanically complete and the volume of production is being increased. Mr. Uhland also stated that the modifications to the plant thus far are at the expense of Siempelkamp.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

Ms. Tokunaga moved approval; there was a second.

The item was passed by the following vote:

Gayle Miller for Keely Martin Bosler, Director of Finance	Aye
Meagan Tokunaga for Betty T. Yee, State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

B. Request to Approve an Updated Feasible Plan to Fund the Completion of the Remediation and to Accept the Proposed Project Milestones of a Brownfields Site Under the California Recycle Underutilized Sites (CALReUSE) Remediation Program

Presented by: Ethan Wieser, Associate Governmental Program Analyst

Mr. Wieser reported that Carson Reclamation Authority (CRA) requested that the Board accept the updated feasible funding plan and the proposed alternative milestone, thus curing the event of default and to extend the term of the grant until December 31, 2023, in order to complete the remaining remediation of the project.

Mr. Wieser stated that in June 2020, the Board held the grantee in default for two missed project milestones. The Board provided the grantee with an opportunity to cure the default by providing the CPCFA Board with a feasible plan to fund the remediation and to propose alternative project milestones for the Board's consideration.

Mr. Wieser further stated that in January 2021, the Board accepted the plan to fund remediation; however, due to still evolving circumstances they requested the grantee to return to the July 2021 Board meeting to provide an updated funding plan and alternative milestone proposals.

Mr. Wieser mentioned that in June 2021, the grantee submitted an updated funding plan. The first key update the grantee previously identified two potential sources of funds to complete the remediation, the primary source of which is the sale of cells 3,4 and 5 to the developer Faring Capital, LLC (Faring). The sale of

the cells has now begun with the grantee receiving the first \$12.5 million in funds and that they anticipate receiving the remaining \$32.5 million from sale proceeds in October, once the Supplemental Environmental Impact Report has been approved by the City of Carson. The second key update was that the second potential source of funding would come from the issuance of up to \$90 million in bonds through the Carson Successor Agency (Successor Agency). The Successor Agency is currently in litigation with the Department of Finance which is scheduled to be heard in court in August to resolve this matter. The third key update was that the CRA was in litigation with the Cell 2 project developer, CAM-Carson LLC (CAM-Carson) and that the parties had recently began mediation in an attempt to resolve this matter.

Mr. Wieser reported that the grantee's request letter also proposed two milestones: 1) provide a copy of a Health Risk Evaluation approved by the Department of Toxic Substances Control (DTSC) for Cell 2, by October 21, 2022; and 2) provide a copy of a Remedial Action Completion Report, approved by DTSC for Cell 2, by December, 31, 2023. Mr. Wieser also stated that the grantee's request letter stated that in order for the project to remain on schedule they will need to successfully resolve the litigation with CAM-Carson and that construction would need to resume by April 2023.

Mr. Wieser stated that CPCFA staff believes that the grantee has met the Board's request to provide an updated funding plan and to propose reasonable alternative project milestones, and the grantee's updated funding timeline provided CPCFA staff with key action dates to resolving the various funding and litigation issues that are complicating the development.

Additionally, Mr. Wieser stated that since these items must successfully be resolved in order to avoid a future event of default on the proposed milestones, in lieu of the grantee's request, he recommended an extension of the Infill Grant Agreement until April 30, 2022, and an extension of the cure period until the April 2022 Board meeting.

In conclusion, Mr. Wieser explained to the Board three alternative options to consider when voting: 1) accept the proposal from the grantee and extend the term of the grant until December 31, 2023, and cure the event of default by accepting the updated funding plan and the proposed milestones; 2) not accept the updated funding plan and alternative milestones, which would prevent the grantee from curing the event of default and require the forfeiture of the CALReUSE grant funds in the amount of \$5 million which would also negatively impact the cleanup and development of the brownfield site; and 3) consider other options or suggestions that the Board may deem more appropriate.

Treasurer Ma asked John Raymond, Executive Director of the CRA If he would like to speak about the project, and added she looks forward to the updates and

thanked the project sponsors for hanging in through all of the many proposals and the COVID-19 pandemic.

Mr. Raymond thanked Treasurer Ma for the opportunity to speak to the Board regarding the CRA project. Mr. Raymond state that the staff recommendation was fair. He also mentioned that the meeting with CAM-Carson on July 16, went well and that they are willing to come back to the project with some changes that will be made; however, he is unable to say anymore on this at the moment. Mr. Raymond stated that the April 2022 date will provide enough time to report back on the remedial work on the project and the agreement with Faring is scheduled for review in fall of this year, when they anticipate receiving the remaining residual land value. Mr. Raymond concluded by saying that the hearing with Department of Finance is not critical to the milestone for the approval of the recommendation.

Treasurer Ma asked Mr. Wieser to state the staff's recommendation again since there were three separate options.

Mr. Wieser stated that he recommended approval of an extension of the Infill Grant Agreement until April 30, 2022, and an extension of the cure period until the April 2022 Board meeting.

Ms. Miller stated that she is happy to support the staff recommendation of the extension until April 2022; however, beyond April 2022 there should be more clarification of the underlining issues. She also stated that at the April 2022 Board meeting she would like to see a full business plan, steps forward from the litigations, and a more thoughtful and strategic plan.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

Ms. Miller moved approval; there was a second.

The item was passed by the following vote:

Gayle Miller for Keely Martin Bosler, Director of Finance	Aye
Meagan Tokunaga for Betty T. Yee, State Controller	Aye
Fiona Ma, CPA, State Treasurer	Aye

5. Public Comment

Treasurer Ma 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 11:03 a.m.

Respectfully submitted,

(Originally Signed By)
Janae R. Davis
Deputy Executive Director