MINUTES

California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
February 27, 2008

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:12 a.m.

Members Present:	Bettina Redway for Bill Lockyer, State Treasurer Les Kleinberg for John Chiang, State Controller Vince Brown for Michael C. Genest, Director, Department of Finance
Staff Present:	Michael Paparian, Executive Director
Quorum:	The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the February 13, 2008 meeting minutes. There were none.

Les Kleinberg moved approval of the minutes; upon a second, the motion was unanimously carried.

3. EXECUTIVE DIRECTOR’S REPORT (INFORMATION ITEM)

Mr. Paparian reported on the bond program, specifically relating to the bond insurance issue, noting that CPCFA has six projects totaling approximately $719,000,000 that currently have bond insurance. The bond documents for these projects only require the companies to report a rating downgrade as a significant event. The board is not required to take any action. There appears to be no big issue involving these six bonds and the bond insurance associated with them.

Vince Brown asked if there was any price effect in the secondary market if the bonds are trading.

Lawrence Tonomura, Banc of America Securities, LLC, responded in the affirmative from the audience.

Mr. Paparian further reported that staff is working with the Attorney General's Office on model bond documents, which should make closings go more smoothly. Staff scheduled a stakeholder meeting for March 4 to review the proposed documents. Mr. Paparian acknowledged Julia Bilaver and Stepan Haytayan of the Attorney General's Office for working with CPCFA staff on this project. He also thanked Robert Feyer, Orrick, Herrington & Sutcliffe and Leslie Lava, Attorney at Law, for their advice and insight.

Ms. Redway asked if staff was getting close to finalizing the model bond documents. Mr. Paparian replied that staff will get a better sense of that at the stake holder meeting.

Mr. Paparian then turned to the Sustainable Communities Grant and Loan (SCGL) Program, noting that staff is wrapping up the agreements with the localities that were approved in the recent funding cycle. Staff expects to see some projects starting up in the next few months.

Mr. Paparian reported on the California Capital Access Program (CalCAP). CPCFA had another loan funded with a contribution from the California Integrated Waste Management Board (CIWMB) since the company's project helps recycle materials. Because CPCFA's agreement with CIWMB as an independent contributor expires in June, staff recently met with CIWMB representatives. Discussions included how CPCFA and CIWMB can work together to promote small business lending for recycling operations, as well as how to become better partners on bringing in projects that would benefit from the tax-exempt bond program. Staff will continue discussions with CIWMB.

Mr. Paparian reported on the California Recycle Underutilized Sites (CALReUSE) Program noting that the amended regulations adopted by the board have gone to the Office of Administrative Law (OAL). Staff anticipates a positive a response this week and expects regulations to be in place in a few days. Also, a Request for Proposal (RFP) for strategic partners under the new program is being finalized and should go out soon.

Ms. Redway asked if staff is meeting the timeline.

Mr. Paparian replied yes – so far. If all goes as planned, staff hopes to have proposals back, as well as an initial pipeline and possible projects before the end of Spring.

Staff is currently working on Annual Reports for all the CPCFA programs.

Mr. Paparian reported that as the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) had recently been revived, CPCFA has provided a loan in the amount of $49,500 through an interagency agreement to assist in CAEATFA's start up. It is expected that this will be paid back when projects start coming in.

Ms. Redway asked if there were any questions or comments from the public. There were none.

A. PROCEDURES FOR ALLOCATING TAX-EXEMPT CAP TO EXEMPT FACILITY BOND PROJECTS

The California Debt Limitation Allocation Committee (CDLAC) is expected, upon its February meeting, to provide $200 million in allocation for CPCFA to allocate to its own projects. CDLAC has requested the funds to be encumbered by July 2008 in order to provide a sense of what has been spent and what is available for reallocation, if necessary. CPCFA staff plans to generally follow existing CDLAC procedures in its handling of the allocation. CPCFA will not be making any changes to how projects are tiered. Similarities are that CPCFA will still have a 60-day allocation window, with the exception of the first round which will have a deadline of February 29, making it approximately 55 days. CPCFA will have $60 million per month available, with any unspent money rolling to the following month. Differences are that 1) CPCFA will have a published TEFRA hearing date scheduled for each month, and 2) if an applicant is ready to move quickly, an application could be taken for Initial Resolution, Final Resolution and allocation simultaneously. An inducement could happen within 30 days of the Initial Resolution application, with Final Resolution and allocation the following month. All this is dependent on action to be taken by CDLAC later today.

Ms. Redway asked if a vote was needed on this item.

Mr. Paparian responded that legal counsel advised that a vote is not needed.

Ms. Redway asked if there were any questions or comments from the board members or public. There were none.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

Staff introduced Lawrence Tonomura and Andrew Alexander, Banc of American Securities LLC, and John Wang, Orrick, Herrington & Sutcliffe.

1) **TAMCO and/or its Affiliates** requested approval of Initial Resolution No. 08-03 for an amount not to exceed $30,000,000 to finance the purchase of equipment, and to expand and rehabilitate an existing building. The company is a steel mini-mill that recycles ferrous scrap metal into concrete reinforcing bars (rebar) used in the construction of buildings, freeways, bridges, parking garages, and other concrete structures throughout the Western United States. The company plans to construct and equip a new Bag House facility that captures hazardous emissions caused by the melting of the ferrous scrap metal to cost no more than $30,000,000 as part of an overall expansion and modernization of its facility. The projected cost of the expansion is approximately $100,000,000. Presented by – Michael Smith.

Mr. Paparian commented that although this technology has been used here in California and around the world, it is new to CPCFA in terms of financing; therefore, staff intends to do a policy review prior to final approval.

Ms. Redway asked if there were any further questions or comments from the board members.

Mr. Kleinberg commented that the Bag House is 99% effective and asked about the impact of the one percent that is not captured.

Mr. Tonomura replied that he has been in discussions with the company's technology group, and the company is exceeding the requirements for the South Coast Air Quality Management Division (SCAQMD). The company is currently waiting for the SCAQMD permit. TAMCO will report back with respect to that one percent.

Mr. Klienberg stated it would be good to have an answer before the Final Resolution.

Mr. Brown commented that it is good to see steel manufacturing in California.

Ms. Redway commented on the one percent, noting that if it exceeds the best available control technology, then that is relevant and should be included in the company's response.

Mr. Brown moved approval of the item; upon a second, the motion was unanimously carried.

B. REQUEST TO APPROVE FINAL RESOLUTION TO ISSUE REFUNDING REVENUE BONDS

Staff introduced Michael Kapelinski of BP West Coast Products, LLC; Thornton Lurie of Goldman, Sachs & Co.; and Russel MacPherson of BECON Corporation.

1) BP West Coast Products LLC (successor to Atlantic Richfield Company), Nos. 23 and 455, CPCFA Pollution Control Refunding Revenue Bonds (Atlantic Richfield Company Project) Series 1996A dated January 24, 1996 in the original principal amount of $44,810,000.

BP West Coast Products LLC requested approval of Final Resolution No. 480 to issue refunding revenue bonds. The company is the successor of most of the operating assets of Atlantic Richfield Company (ARCO). The company provides crude oil refining and marketing operations. On January 24, 1996, CPCFA Revenue Bonds Series 1996A were issued to ARCO in the amount of $44,810,000. The bonds were issued to refinance the acquisition and construction of air and water pollution control facilities at ARCO's Carson Refinery and Watson Cogeneration Plant located in Carson, California. The pollution control facilities were installed to reduce the level of emissions generated by refining and cogeneration operations. The 1996A Bonds were issued to refund the two previously issued revenue bonds as listed below:

- Atlantic Richfield Company Project Series 1974 issues June 6, 1974 in the amount of $13,460,000; and
- Atlantic Richfield Company Project Series 1985 issued November 14, 1985 in the amount of $35,200,000.

The company currently proposes the refunding of $44,810,000 CPCFA revenue bonds (Atlantic Richfield Company) Series 1996A through the issuance of Series 2008 revenue refunding bonds in the amount of $44,810,000.

The bonds will be secured solely from payment to be made by BP West Coast Products under a loan agreement between BP and CPCFA. The anticipated loan term is 23 years for $9,610,000 of the loan and 35 years for the remaining $35,200,000. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions or comments from the board members.

Mr. Kleinberg asked about the life expectancy of the refining facilities. By refinancing the loan, the financing will be stretching out 50 years. His concern was how long the facilities would be functional.

Thornton Lurie of Goldman, Sachs & Co. replied that the life expectancy is a combination of factors relating primarily to an engineering analysis. He then asked Russ MacPherson, engineering consultant, to describe the analysis conducted for that process.

Mr. MacPherson of BECON Corporation stated that this analysis follows the federal tax rules and guidelines that apply to this type of bond issuance. The first step in the process is to evaluate the original design basis of the property and the company's expectations and intentions at the time of original financing. BECON engineers determined that the property is designed for a very long useful life, likely in excess of 50 years. Some of the properties already have been operating nearly 35 years. Upon BECON's inspection the facility showed no signs of deterioration and is expected to continue operating indefinitely. Mr. MacPherson went on to say that these are critical assets for maintaining compliance with California and federal air pollution control standards, making it essential for the Company to keep the facilities in good working order for an extended useful life, and that is typical in this industry. The engineers have evaluated the design of the property, the Company's commitment to operations and maintenance procedures to insure that it will achieve its designed useful life, inspected the property to check its current condition, and checked that the operating records confirm that the facility is being well maintained. BECON has estimated 50 years of useful life, which is the basis for the tax analysis.

Mr. Lurie continued that in a tax-exempt financing, the life of the bonds may be 120% of the useful life of the asset, adding another 10 years.

Mr. Kleinberg asked whether, in terms of the general public policy, the $44,810,000 being used to refinance existing bonds would deplete the amount of bond issuing authority available for other programs.

Mr. Paparian replied there is no impact on current volume cap. The Company received its allocation with the first funding. The refinancing of these very same bonds does not generate a need for volume cap.

Ms. Redway asked if there were any further questions or comments from the public. There were none.

Mr. Kleinberg moved approval of the item; upon a second, the motion was unanimously carried.

5. PUBLIC COMMENT

Ms. Redway asked if there were any questions or comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns. The meeting was adjourned at 11:32 a.m.

Respectfully submitted,

Michael Paparian
Executive Director