

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
November 14, 2017**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 12:00 p.m.

Members Present: Eraina Ortega for Michael Cohen, Director of Finance
Anne Baker 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 October 17, 2017. There were none. Mr. Juarez asked if there was anyone with comments on the telephone, staff confirmed there was not.

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

The item was passed by the following vote:

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| Eraina Ortega 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. Webster-Hawkins greeted the members of the Board.

Ms. Webster-Hawkins stated as a follow up to last month's report with regard to the fire stricken areas such as Santa Rosa, Sonoma and other counties which the Governor declared as disaster areas. The California Pollution Control Financing Authority's (CPCFA's) intent is to provide credit enhancement availability for California Capital Access Program (CalCAP) lenders who have their zip codes located in those affected counties. CPCFA has moved forward and has issued a program notice and reached out specifically to lenders who have historically made

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loans to small businesses in the affected areas and have begun to provide that credit enhancement.

Ms. Webster-Hawkins accompanied the Treasurer on November 8, 2017 while on his second tour of the fire stricken areas and visited with small businesses and health facilities that were greatly impacted by the fires, which was quite devastating. They met with the business community at the Chamber of Commerce where a number of businesses articulated the concern that a lot of the outpouring of help has been directed toward the businesses that have suffered direct damage, but what about the businesses that did not suffer direct damage due to the fire but are impacted due to reduced revenues from reduced tourism and consumer activity. Ms. Webster-Hawkins stated that it was good to note that credit enhancement from CPCFA's CalCAP program does provide a benefit to any business whether or not they were directly affected by the fire and provides a niche in that regard.

Ms. Webster-Hawkins stated that the House has proposed a tax reform bill that would eliminate the private activity bond tax exemption, which has caused enormous concern in the business and financing community as well as CPCFA.

CPCFA has provided a wealth of data to stakeholder allies and colleagues as well as the National Council for Development of Finance Agency (CDFA) to demonstrate the impact of CPCFA's issuances over the last five years in California, and have worked collaboratively with the leadership team at the State Treasurer's Office (STO).

In response to the House proposal which would eliminate the tax exemption for any issuances after December 31, 2017, CPCFA has promptly issued a program notice to alert the financing teams that CPCFA would expedite the program application period which is normally a sixty day period and truncate it to a thirty day period for purposes of providing financing to projects that are ready to go and could close before December 31, 2017. As a result of this, CPCFA has had a great response and the December Board meeting agenda will be lively. There are some sleepless members of those financing teams present today and CPCFA is grateful for their collaboration.

Ms. Webster-Hawkins stated that assuming the best, the Senate proposal or something like it, included in a tax reform bill so that retains the tax exemption for private activity bonds will be retained. If CPCFA is looking towards issuing bonds in 2018 or thereafter, CPCFA will have run out of the carryforward that was granted to CPCFA by the California Debt Limit Allocation Committee (CDLAC) as of December 31, 2017. The allocation authority that CPCFA has been able to enjoy for the last several years has been a result of the carryforward awarded to CPCFA up through 2014, that carryforward will expire at the end of 2017. CPCFA has collaborated with CDLAC and have put forward our best case and have requested to CDLAC that CPCFA be considered for any available 2017 carryforward. Based on data, it is very likely that CPCFA could see a billion dollars' worth of business within the next two years, which is based on actual projects that are presently known, in addition to collaboration with our financing teams as well as market trends.

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CPCFA is aware that CDLAC will comment on their carryforward allocation during their November 15, 2017 Board meeting and CPCFA has collaborated with CDLAC regarding a 2018 allocation should CPCFA not get sufficient carryforward.

On October 30, 2017, Ms. Webster-Hawkins under her delegated authority, signed a request by the San Diego County Water Authority (SDCWA) to sign a direction for the company to provide funds and to exercise an option under the trust indenture. The SDCWA is related to the pipeline issue associated with the Carlsbad desalinization project, which was a government obligation bond that was issued along with the private activity bonds.

Mr. Juarez spoke about the House tax reform bill that would eliminate the private activity bonds, and stated that it was likely that a special meeting with the California Infrastructure and Economic Development Bank (IBank) will occur to take up one borrower that wants to be sure that they are within the timeline that private activity bonds would still be allowed. He then asked Ms. Webster-Hawkins if any of CPCFA's borrowers would require an additional December 2017 Board meeting to fast track any of their items.

Ms. Webster-Hawkins stated not at this point, and that CPCFA will have the regularly scheduled meeting on December 12, 2017, assuming that the projects have everything that is needed for Board approval. The early indication is that those six projects would like to close between December 18, 2017 and December 31, 2017. CPCFA will meet with the finance teams immediately following the Board meeting to confirm the transaction particulars for each of the deals and if anything comes from those meetings CPCFA will update the Board.

Mr. Juarez thanked Ms. Webster-Hawkins.

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

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

4. BUSINESS ITEMS

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

Resolution No. 17-16, Republic Services, Inc. and/or its affiliates, #917, Solid Waste Disposal, \$100,000,000

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

Staff introduced Lawrence Tonomura, Bank of America Merrill Lynch, John Wang, Orrick, Herrington & Sutcliffe LLP, and Calvin Boyd, Republic Services, Inc.

Republic Services, Inc. and/or its affiliates requested approval of an Initial Resolution for an amount not to exceed \$100,000,000.

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Bond proceeds will be used to make improvements to existing landfill facilities, including construction of new disposal cells and liners within currently permitted acreage, additions and improvements to the leachate collection and treatment system, including leachate trenching, additions and improvements to the methane gas systems, installation of new liners for intermittent and final closure of completed sections of the landfill facilities. The company will also be acquiring additional equipment such as pipes, pumps, fans, vacuums and extraction equipment to be used at the landfill facilities to support the foregoing improvements and to place them into service.

Staff recommended approval of Initial Resolution No. 17-16 for Republic Services, Inc. and/or its Affiliates for an amount not to exceed \$100,000,000.

Mr. Juarez asked if anyone from the financing team or the company had any questions or comments.

Mr. Tonomura stated his appreciation for staff's tremendous help.

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

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

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

The item was passed by the following vote:

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| Eraina Ortega for the Director of Finance | Aye |
| Anne Baker for the State Controller | Aye |
| Steve Juarez for the State Treasurer | Aye |

B. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR NEW MONEY PURPOSES AND TAX-EXEMPT VOLUME CAP ALLOCATION

Resolution No. 17-01-578, Republic Services, Inc. and/or its affiliates, #917, Solid Waste Disposal, \$100,000,000

Presented by: Andrea Gonzalez, Associate Treasury Program Officer

Staff introduced Lawrence Tonomura, Bank of America Merrill Lynch and John Wang, Orrick, Herrington & Sutcliffe LLP, and Calvin Boyd, Republic Services, Inc.

Republic Services, Inc. and/or its Affiliates requested approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$100,000,000. The company plans to finance the improvements to existing landfill facilities throughout California and purchase additional equipment.

Bond proceeds will be used to make improvements to existing landfill facilities, including construction of new disposal cells and liners within currently permitted acreage, additions

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and improvements to the leachate collection and treatment system, including leachate trenching, additions and improvements to the methane gas systems, installation of new liners for intermittent and final closure of completed sections of the landfill facilities. The company will also be acquiring additional equipment such as pipes, pumps, fans, vacuums and extraction equipment to be used at the landfill facilities.

Staff recommended approval of Final Resolution No. 17-01-578 and Volume Cap Allocation Resolution No. 14-147-14 for an amount not to exceed \$100,000,000 for Republic Services, Inc. and/or its Affiliates.

Mr. Juarez asked why two separate bond deals were being done.

Mr. Wang stated to satisfy the bond statutory requirements, an initial resolution and a final resolution needs to be completed.

Mr. Juarez stated that this was the same project and that staff made him aware of this and commented that it was rare to do on the same day.

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

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

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

The item was passed by the following vote:

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| Eraina Ortega for the Director of Finance | Aye |
| Anne Baker for the State Controller | Aye |
| Steve Juarez for the State Treasurer | Aye |

C. REQUEST TO AMEND LOAN AGREEMENT AND CONSENT TO THE SALE OF ASSETS

Resolution No. 17-01-002, California Pollution Control Financing Authority Variable Rate Demand, Solid Waste Disposal, Revenue Bonds (Ratto Group of Companies, Inc.) Series 2007A and Series 2012

Purchaser of Project: Recology, Inc.

Presented by: Dmitri Godamunne, Staff Services Analyst

Staff introduced John Wang, Orrick, Herrington & Sutcliffe LLP, Mark Holmstedt, Westhoff, Cone and Holmstedt

Mr. Godamunne stated that this was a request to amend loan agreement and consent to the sale of assets.

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At the October 17, 2017 CPCFA Board Meeting, the Authority consented to the sale of the Ratto Series 2012 Project and assets to Recology, Inc. The Series 2007A was not part of the October meeting because the 2007 Loan Agreement does not have a provision allowing for the sale that the 2012 Loan Agreement has. By written notice, the Ratto Group of Companies informed the Authority that it requests the Authority's consent to the sale of the Ratto Series 2007A project along with its assets to Recology Inc., and to amend the Series 2007A Loan Agreement to include a provision which permits the company to sell all or substantially all of its assets upon consent of the Authority.

Staff recommended the Authority approve resolution No. 17-01-002 which delegates to the Executive Director the authority to consent to the sale of the 2007A and 2012 Projects and assets to Recology Inc. and to approve the first amendment to the 2007A Loan Agreement.

Mr. Juarez asked if there were any comments from the financing team.

Mr. Holmstedt stated no.

Mr. Juarez then asked if the action that is taken today is either the same or similar to the one taken at the October 17, 2017 Board meeting relative to the 2012 bonds.

Mr. Wang stated that was correct.

Mr. Juarez asked if there was any public comment. There was none.

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

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

The item was passed by the following vote:

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| Eraina Ortega for the Director of Finance | Aye |
| Anne Baker for the State Controller | Abstain |
| Steve Juarez for the State Treasurer | Aye |

5. PUBLIC COMMENT

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

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 12:17 p.m.

Respectfully submitted,

(Originally Signed By)

Reneé Webster-Hawkins
Executive Director