Agenda Item 2.

MINUTES

California Pollution Control Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
September 17, 2019

1. CALL TO ORDER & ROLL CALL

Jovan Agee, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:31a.m.

Members Present:	Gayle Miller for Keely Martin Bosler, Director of Finance Meagan Tokunaga 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 July 23, 2019. There were none.

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

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Meagan Tokunaga for the State Controller	Aye
Jovan Agee for the State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Webster-Hawkins greeted the Board then proceeded to begin her report.

Ms. Webster-Hawkins began her report by sharing the items executed under her delegated authority. She stated that all four items are in our Bond program.

- A previous issuance for Tri-City Economic Development Corporation, also known as Tri-CED Community Recycling, requested a modification and repayment structure of its loan agreement. Ms. Webster-Hawkins signed the amendment to the loan agreement and the supplemental tax Certification approving the modification on August 15, 2019.

- EDCO Refuse Services, Inc. requested a third draw, in the amount of $8,000,000 on an issuance that previously closed October 5, 2016. Ms. Webster-Hawkins approved the draw on August 23, 2019.

- California Waste Recovery System, LLC, requested a second draw in the amount of $2,990,000 on an issuance that originally closed on December 27, 2017. Ms. Webster-Hawkins approved the draw on August 21, 2019.

- Alameda County Industries, Inc. requested a second draw on an issuance that closed June 3, 2019 in the amount of $15,310,000. Ms. Webster-Hawkins approved the draw on August 28, 2019.

For the legislative update, Ms. Webster-Hawkins described two bills that affect CPCFA and its programs and the respective status to each.

SB 667 (Hueso) is a bill that would create the California Recycling Infrastructure Investment Account administered by CPCFA, to support financing mechanisms and strategies to support development of recycling facilities and markets in California. The latest version of the bill this year included the Treasurer's Office and CPCFA in the development and administration of the plan, all in coordination with CalRecycle.

Status: The author has re-characterized the bill as a two-year bill to continue to work with stakeholders and identify a source of funding.

AB 305 (Nazarian): Extends the sunset date on the pilot program for Rate Reduction Bonds for local water utilities that CPCFA reviews, and to expand the eligibility to waste water facilities.

Status: The Bill has passed out of the Assembly and the Senate, and was signed by the Governor as an urgency matter.

Ms. Webster-Hawkins said that she had two highlights to report to the Board.

For the CalCAP OnRoad Diesel Program (which is administered on behalf of the California Air Resources Board (ARB) to remediate and replace older diesel trucks with new cleaner burning diesel trucks) CPCFA passed a milestone. We have issued 25,000 loans which advanced through the program on behalf of ARB, putting over 25,000 cleaner burning trucks on our California highways.

For the CalReUSE program, we have been seeking the recapitalization of the very successful program. While the recapitalization effort did not make it into the budget last year, staff submitted a Budget Change Proposal (BCP) to the Department of Finance to recapitalize the program, incorporating some of the suggestions from members of the Legislature as well as those in the Department of Finance.

Ms. Webster-Hawkins asked if there were any questions. There were none.

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

4. BUSINESS ITEMS

A. REQUEST TO APPROVE SECOND AMENDED AND RESTATED FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS AND REQUEST TO APPROVE A RESOLUTION FOR THE DEDICATION OF TAX-EXEMPT VOLUME CAP ALLOCATION

Presented by: Kris Luoma, Staff Services Analyst

SiONEER Stockton, LLC and/or its affiliates requested approval of a second amended and restated Final Resolution (FR) No. 19-01-595 for an amount not to exceed $23,000,000 and Volume Cap Allocation for an amount not to exceed $6,350,000 to finance the construction of a post-consumer waste glass processing and recycling facility. The California Debt Limit Allocation Committee (CDLAC) previously approved Allocation Resolution No. 19-010 for SiONEER in an amount not to exceed $16,650,000. This amount was extended by CDLAC and expires on November 11, 2019. The company requested the additional allocation amount of $6,350,000 due to a rise in costs associated with the project.

Staff recommended approval of a Second Amended and Restated Final Resolution No. 19-01-595 in an amount not to exceed $23,000,000, and Volume Cap Allocation Resolution No. 19-073-02 in an amount not to exceed $6,350,000. Together with allocation previously granted from CDLAC in the amount of $16,650,000, the total allocation amount will equal $23,000,000 in tax-exempt bonds for SiONEER Stockton, LLC and/or its affiliates.

Mr. Luoma asked if there were any questions from the Board. There were none.

Mr. Mark Holmstedt introduced himself and thanked the Board Chairman for patience with this client. He stated that the recycling markets are quite disruptive. He stated that they had tried to do this transaction about a year ago, but there was not a lot of confidence in where all of the recyclables would come from. SiONEER has been working hard on getting a lot of interest given current recycling markets with hope to have the transaction ready very soon.

Ms. Tokunaga asked Mr. Holmstedt to speak to specific area of cost increases.

Mr. Holmstedt replied that because this is a new start-up entity they did what is called a project finance indicating that the transaction itself is supported by the operations and the contracts that support the project. As a result, the bond market requires a debt service reserve fund. He indicated that these reserve funds are seen a lot with municipal issuer transactions. When the company moved last year’s transaction to the one at $16,350,000, the bond purchaser did not require a debt service reserve fund so the dollar cost went down. Then, as time passed, and other equipment costs relative to the way the glass is being processed increased. If there was a comparison between the approval amount from a year ago which was $22,825,000 to the current request for $23,000,000, it is clear that the increase was not much of a difference at all. Most of that increase was due to putting the debt service reserve back in and dealing with other capitalized interest costs. The costs evened out.

Ms. Miller stated that she interested to know why Mr. Holmstedt thinks that the markets will be so secure that they will be able to execute the financing this time.

Mr. Holmstedt said that last year when the SiONEER transaction went to the market, a significant amount of glass was not currently being recycled. Currently, only big pieces of glass are being recycled, which are those pieces that are 3/8 of an inch or more. These pieces get pulled out of the material recovery stream and go directly to the glass processor in the state and are made into glass bottles. Everything smaller than 3/8 of an inch is going to the landfill. We thought that if someone was willing to take that residual material and not have to pay a $70 tipping fee to get rid it, the investors would come. Unfortunately, what we did not anticipate was a broader purchaser market. The bond purchaser market barely understood what a material recovery facility was and did not understand why residual glass would be available. At the same time they had other transactions that did not have contracts and were having problems obtaining feedstock. Several years ago, we had biomass facilities in California and people were able to bring the material to the facilities and get the biomass for free. When biomass was becoming scarce, people would have to pay a tipping fee, then the economics changed. Even though the facilities worked, they either had a feedstock problem or an output problem. So people were saying that contracts are needed. If you do not have a facility up and running, it is hard to do that. The client was told they need to get contracts and as a result they are working very diligently on getting them. SiONEER recently signed a contract with Waste Management for 400 tons a month of feedstock. The company is putting more details together with Letters of Intent (LOI) and contracts to support the feedstock market. The other problem we had was that the largest player in this recycle glass market is a company called Strategic Materials, it controls about 70 percent of the market. The company is only able to use the bigger pieces and some of the smaller pieces but they have the logistics, infrastructure and contracts with everybody else.

Mr. Holmstedt went on to say that his client, SiONEER, had discussions with Strategic Materials to say they would commit to 2,900 tons a month to SiONEER, but when it came down to the company wanting to memorialize that into a contract, Strategic Materials wanted to get paid more. Strategic Materials realized that SiONEER could ultimately become a competitor, so it has been taking longer to pull everything together.

Mr. Holmstedt said that when his client goes into the market place they will have LOIs and/or contracts representing most if not all the feedstock and their facility will be able to support the material that is already known to be in the market. On the output side, the company has letters of interest or intent from the purchasers of the commodity. Those agreements have become stronger and more on a contract basis. On the revenue side of the transaction, there is no other market for it. If the market is established, the company will get the materials they need.

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

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

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Meagan Tokunaga for the State Controller	Aye
Jovan Agee for the State Treasurer	Aye

B. REQUEST TO AMENDED INFILL GRANT DOCUMENTS UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES (CALREUSE) REMEDIATION PROGRAM

Presented by: Ethan Wieser, Associate Treasury Program Officer

Mr. Wieser stated that the Office of Community Investment and Infrastructure (OCII), as successor to the Redevelopment Agency of the City and County of San Francisco, has requested an amendment to their Infill Grant Agreement to extend the term of the agreement until December 31, 2022 and to incorporate certain benchmarks into the Infill Grant Agreement.

Mr. Wieser went on to share background on the project. He said the CPCFA Board approved a grant in the amount of $5,000,000 for the remediation of a former Naval Shipyard that performed ship building, ship decommissioning, and testing of various defense related equipment. Clean up of the brownfield was to result in an Infill Development Project that consisted of 2,625 housing units, of which 616 would be affordable.

Mr. Wieser said that in September 2010, the Grantee requested an amendment to reduce the number of housing units to 1,128, due to the economic downturn. Later in 2016, due to the dissolution of California redevelopment agencies and delays in the conveyance of the U.S. Navy parcels, the project was further amended down to 884 housing units (207 affordable), and given a 21 month extension until October 7, 2019.

The remediation has been completed and the Grantee will be submitting the final remediation report in Spring of 2020. The Grantee has completed 745 units to date and there are 139 units remaining to be completed. Of the remaining units, 66 units in Block 55, will be completed in 2019. The remaining 73 units in Block 52 are anticipated to be completed by December of 2022. The delay to Block 52 is due to the original designs of that block no longer being economically feasible. The developer proposed a redesign of the Block 52 project and has completed several key approvals including CEQA and schematic designs for that project. The Grantee has also agreed to incorporate development benchmarks for Block 52 into the Grant Agreement that must to be met in order to avoid an event of default.

Mr. Wieser completed his report by telling the Board that staff believes the extension is appropriate as it is in the best interest of the public and furthers the purpose of the program, therefore staff recommended approval of Resolution No. 19-03-02 to extend the term of the Infill Grant Agreement to December 31, 2022 and the inclusion of specific benchmarks the Grantee must meet in order to avoid an event of default.

Ms. Oreth from OCII thanked the Board for considering the grant extension request. She said that while a delay is never a desirable outcome, in this case they feel really good about the redesigned project and it is a much more efficient design that will help Block 52 come to fruition. Due to the delay, the developers were actually able to donate some of their land to OCII's adjacent hundred percent affordable housing project which allowed OCII to build more affordable housing. It has been a win-win as they work through this redesign process. Ms. Oreth stated that OCII has accomplished several key milestones and feel confident that the project will be completed on time.

Ms. Tokunaga asked Ms. Webster-Hawkins to walk the Board through the project timeline and extensions.

Ms. Webster-Hawkins told the Board that the original grant agreement was awarded along with all the other grant agreements in 2010. As reported in the staff presentation, the economic downturn and the dissolution of the redevelopment agencies presented some financial implications to this project and there were logistical changes to the project. In addition to those issues, the transfer of the property from the US Navy presented some delays and challenges so we are working through that. Ms. Webster-Hawkins said she believed it was reported that the first extension was in 2016 and at that point the regulations allowed the Executive Director to grant a short term extension based on the finding that the completion of the project is likely, so that extension was provided. She concluded by saying the second extension is coming to the Board based on the fact it is in the public benefit to grant the extension.

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

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

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Meagan Tokunaga 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 10:54 a.m.

Respectfully submitted,

(originally signed by)

Reneé Webster-Hawkins
Executive Director